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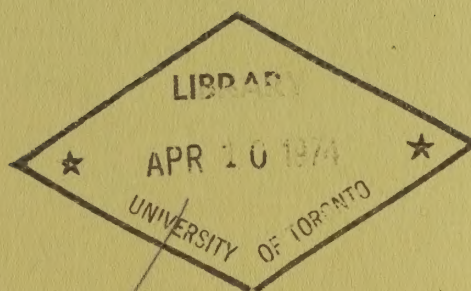
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[G-16]

SOURCES AND USES OF FUNDS OF CANADIAN AFFILIATES OF U.S. FIRMS

AS REPORTED BY U.S. AUTHORITIES, SELECTED YEARS

FROM 1957 TO 1968



[General publications]  
16

OTTAWA

March, 1974

Foreign Investment Division,

Investment Analysis Branch,

Department of Industry, Trade and Commerce.

Canada







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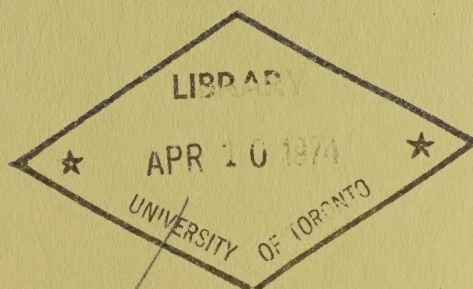
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SUMMARY

Data on the sources and uses of funds of the affiliates in Canada of U.S. firms are available from 1957 to 1965. Sample data, not expanded to provide universe totals, are also available for 1967 and 1968. In the case of expenditures on plant and equipment, continuous series are available from 1957 to 1972.

Funds obtained from sources within the affiliates, from retained earnings and from allowances for depreciation and depletion, were greater than the funds obtained from outside the affiliates.

Funds obtained from the United States, as a percentage of funds available, declined over the period. Funds obtained outside the affiliates from countries other than the U.S. moved erratically as a percentage of funds available. It is not possible to break out separately the percentage raised in Canada.


The industrial group which made the most use of funds was manufacturing, followed by petroleum, and then by mining and smelting.

Of the funds used within the affiliates, expenditures on plant and equipment took the greater amount, although the proportion decreased during the period under observation.

Expenditures on plant and equipment by the Canadian affiliates of U.S. firms covered by the survey were equivalent to between 9 and 13 per cent of all capital and repair expenditures in Canada during the period. Within the industrial groups which were covered by the U.S. survey, the equivalent percentage was from 37 to 50 per cent.

Analysis of the data indicates that expenditures on plant and equipment by Canadian affiliates of U.S. firms in mining and smelting may, from 1957 to 1971, have been significantly related to capital inflow from the U.S. for direct investment. Equivalent expenditures in petroleum and manufacturing were not necessarily significantly related to such capital inflow.

Analysis also indicates that expenditures on plant and equipment by Canadian affiliates of U.S. firms in petroleum, in manufacturing, and in other industries may, from 1957 to 1971, have been significantly related to retained earnings. Equivalent expenditures in mining and smelting were not necessarily significantly related to retained earnings.



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## I INTRODUCTION

### General

The scope of direct investment in Canada by residents of other countries, and the size of the flows of capital and income which are associated with it, make it a phenomenon of considerable interest. Investment from the United States is a major component, as is made clear by the material published in Canada. An earlier working paper, Direct Investment in Canada by Non-Residents Since 1945 covered this point.

The U.S. Department of Commerce publishes extensive material on U.S. direct investment, most of which has a breakdown for Canada. This was the basis for another working paper, U.S. Direct Investment in Canada as Reported by U.S. Sources, 1946-1967, which has been updated to 1969, and is being updated to 1972.

The two earlier working papers presented data which tied in closely with the balance of payments accounts and with those of Canada's international indebtedness. The present report deals with the financial aspects of the operations of the Canadian affiliates, whether their transactions are domestic or international. It emphasizes changes in the various types of assets which they hold, and in their principal sources of financing.

The sources from which funds are obtained include earnings, depreciation and depletion, and receipts from outside the affiliate, whether these come from the United States or elsewhere. The funds are used for purposes which include the distribution of earnings; expenditures of the affiliates on property, plant and equipment; changes in their inventories; and changes in their current receivables.

A companion working paper to the current one, which is also based on U.S. sources, is Sales, Exports and Imports from the United States by Canadian Affiliates of U.S. Firms, Selected Years from 1957 to 1968. This gives an overview of some other aspects of the operations of U.S. subsidiaries in Canada.

All of the concepts used in the three working papers based on U.S. data are to some extent related, being based on common surveys. There are, however, certain differences in the accounting procedures and in the coverage of the groups of reporting companies.







### Plan of this working paper

An essential preliminary was to consolidate in a standard format the statistical series which have been published in many documents over the past fourteen years. The main statistical tables are given in Annex A. The introduction to the Annex describes the tables and explains the system for numbering them. Annex C gives a bibliography of the sources of data.

Chapter II discusses the concepts and definitions which are used in the statistics. Chapter III describes the statistical surveys, and explains how the published figures are derived from them.

Chapters IV to VII contain the basic analysis. Chapter IV deals with sources and uses in a broad context. Chapters V and VI deal in more detail with sources, and Chapters VII and VIII with uses.

Chapter IX deals with a supplementary series about expenditures on property, plant and equipment. It draws on Canadian sources for data about overall capital expenditures in Canada, with which the expenditures of U.S. subsidiaries are compared. Chapter X contains an analysis of the relationship between selected sources of financing and the subsidiaries' expenditure on property, plant and equipment.

The 1957 Census of U.S. business interests in foreign countries was used as the main reference base for the surveys which provided the data in this working paper. When the results of the 1966 Census are applied as a reference base, substantial changes will be made in the data on sources and uses of funds from 1966 on. Mention is made of this at appropriate places in the text. Of the results of the 1966 Census which have been published so far, only a series about expenditures on property, plant and equipment could be used here.

This working paper is based on material which had been published by the end of December, 1973.







## II CONCEPTS AND DEFINITIONS

### Introduction

The purpose of this chapter is to describe the concepts used by the U.S. Department of Commerce in the preparation of their data on sources and uses of funds of foreign affiliates of U.S. firms.

The data used in this working paper were, except for one series, published before the U.S. statisticians had completed their assessment of the results of the 1966 Census of U.S. business investment in foreign countries. The more complex definitions which were used for that Census do not apply. <sup>1/</sup>

The exception consists of the more detailed series on plant and equipment expenditures which are used in Chapters IX and X. The 1966 Census results were used in connection with this series from 1966 on, but the Census definitions were not fully applied.

The concepts used in the series on sources and uses of funds differ in several respects from those used in the U.S. balance of payments accounts. The main differences are in earnings and in the flows of U.S. capital. Differences in definition are discussed below and in addition, "there are also differences due to a number of accounting and statistical problems, including foreign exchange losses, different effective exchange rates used to convert the accounts to U.S. dollars and different accounting periods." <sup>2/</sup>

Definitions or descriptions of the various concepts used in this paper are given below.

### Foreign affiliates

As used in this study, where data on the general sources and uses of funds are concerned, the term "foreign affiliates" applies to unincorporated foreign branches of U.S. firms, and to foreign corporations in which U.S. companies have a direct voting interest of 25 per cent or more. <sup>3/</sup> In practice, the voting interest is predominantly in the range of 75 per cent or more. The reports cover operations of secondary foreign affiliates (ie. affiliates owned through a foreign corporation which is itself directly owned in the United States) only when they are consolidated by the reporter.





Where the more detailed series on plant and equipment expenditures which appear in Chapter IX are concerned, the term "foreign affiliates" includes all primary and secondary foreign affiliates in which U.S. ownership is at least 50 per cent (majority-owned affiliates). <sup>4/</sup> A primary foreign affiliate is a foreign business organization which is directly owned by a U.S. individual or organization. A secondary foreign affiliate is a foreign business organization which is indirectly owned by a U.S. individual or organization through another foreign affiliate.

The data used for each affiliate are taken for its entire operation. No reduction is made to allow for the interest of foreign stockholders in the operations of the affiliates. Thus, the material shows the extent of economic operations under U.S. control, rather than the extent of U.S. ownership.

#### Sources and uses of funds, general

The sources of funds for all purposes include sources internal to the affiliates and those external to them. The internal sources consist of earnings, depreciation allowances and depletion allowances. The external sources are divided between those located in the United States and those in other countries.

The uses of funds consist of income paid out, changes in inventories, changes in receivables, expenditures on plant and equipment, and changes in other assets.

The estimates for sources and uses of funds of Canadian affiliates cover the three major industrial groups of mining and smelting, petroleum, and manufacturing.

#### Earnings

or

#### Net income

The terms earnings <sup>5/</sup> and net income are used interchangeably in the Survey of Current Business. No direct definition is given for them when used in connection with sources and uses of funds.

The following definition was derived from the definition of earnings as given for balance of payments purposes, and from statements about the





difference between this and the definition employed for the data on sources and uses.

Earnings as stated in data on sources and uses of funds consist of net earnings of foreign corporations (ie. those located outside the United States) and net earnings of foreign branches of U.S. corporations. The net earnings of foreign corporations consist of the total earnings of the foreign subsidiaries after provision for foreign (non-U.S.) income taxes, preferred dividends and interest payments. The net earnings of foreign branches of U.S. companies are their earnings after provision for foreign income taxes and for depletion charges, but before U.S. taxes. Included with net earnings of branches are the net earnings of foreign partnerships, sole proprietorships and other types of foreign organizations.<sup>6/</sup>

The differences in definition between the balance of payments earnings and the earnings in sources and uses of funds are stated to be as follows. Firstly, data in sources and uses statements are taken on a total basis,<sup>7/</sup> ie. no allowance is made for foreign minority interests or creditors as is the case in the balance of payments accounts. Secondly, net income<sup>8/</sup> in the series on sources and uses is reported after depletion charges; in the balance of payments accounts this figure is given before such charges. (This difference occurs only in the mining and petroleum industries).

In addition to the differences in definition, there is a difference in the field covered. The sources and uses statements are limited<sup>9/</sup> to three industrial groups: mining and smelting, petroleum, and manufacturing. All industries are included in the balance of payments data.

#### Retained earnings

No direct definition is given of retained earnings in the articles on sources and uses, but the following definition has been derived.

Retained earnings constitute the earnings of foreign corporations as defined above (ie., net of foreign taxes on income) less gross dividends on common stock, plus the non-distributed profits of unincorporated foreign branches. The gross dividends on common stock are measured before deduction of withholding taxes paid to the host country.

The way in which retained earnings of unincorporated branches are





handled in the statements on sources and uses of funds differs from the way in which their undistributed earnings are handled in the balance of payments accounts. For the series on sources and uses, these particular retained earnings are treated as they are observed. In other words, they are regarded as remaining in the host country. For balance of payments purposes, they are deemed to have been paid out to the parent country (the U.S.) and then sent out again as a direct investment capital flow from the U.S. to the host country. <sup>10/</sup> This results in the sources and uses series having a lower figure for income paid out than the other series, a correspondingly lower figure for funds received from the U.S., and a larger figure for retained earnings.

The differences between the handling of this concept in the statements for the balance of payments and for sources and uses are illustrated in Table II-1.

TABLE II-1

RECONCILIATION OF UNDISTRIBUTED EARNINGS OF UNINCORPORATED  
BRANCHES AS STATED IN BALANCE OF PAYMENTS AND RETAINED  
EARNINGS IN SOURCES AND USES OF FUNDS, 1963

(millions of U.S. dollars)

		Total specified industries	Mining and smelting	Petroleum	Manufacturing
	Undistributed earnings of subsidiaries (balance of payments)	1,100	66	182	852
Plus:	Undistributed earnings of minority interest	241	62	52	127
	retained branch profits	-52	-2	-51	1
	Other adjustments and residual	169	13	73	83
Equals:	Retained earnings (sources and uses)	1,458	139	256	1,063

Source: "Operations of U.S. Industry Capital Expenditures, Sales and Financing", Survey of Current Business, October 1964, page 11.





### Depletion and depreciation charges

These are not defined as such. The respondents presumably use standard accounting concepts.

### Funds from the United States

It is said of the funds coming from the United States that they:

include the financing of foreign affiliates by their U.S. parent companies and sales of new securities to the public, funds for the establishment of a new enterprise by a parent, funds from other U.S. residents such as lending by U.S. financial institutions (both private and government) and the extension of credit by U.S. suppliers. 11/

These funds going out from the United States differ from the capital going out for direct investment as shown in the balance of payments accounts. In the first place, they include certain items which are excluded from direct investment capital inflows. These include the funds from "other U.S. residents" and the extension of credit by U.S. suppliers. Moreover, the direct investment capital outflow excludes flows related to placement and amortization of foreign affiliates' securities held by U.S. residents other than the parent firms.

In the second place, they exclude certain items which are included in direct investment. One consists of acquisitions by the parent company of foreign business firms or minority interests, which are excluded from the sources of funds of affiliates because these funds do not go to the affiliates but rather to their stockholders. In addition, funds from the United States are adjusted to exclude funds coming from the United States from other than parent companies. Also, retained earnings of foreign branches are not regarded as being distributed and reinvested.

The net result of these differences is summarized by the U.S. authorities as follows:

Comparison of the two sets of data on capital flows reveals that the balance of payments data show consistently higher outflows, partly reflecting much more complete coverage of the balance of payments reports than for the uses and sources reports (950 reporting parents compared with 450 parents). The balance of payments figures also include reinvested earnings in branches, while "funds from the United States" do not. 12/

A systematic view of the two flows of capital is given in Table II-2.





TABLE II-2

RECONCILIATION ON CAPITAL FLOWS AS STATED IN BALANCE OF  
PAYMENTS AND IN SOURCES AND USES OF FUNDS, 1963

(millions of U.S. dollars)

	Total specified industries	Mining and smelting	Petroleum	Manufacturing
Net capital outflow (balance of payments)	1,591	65	810	716
Less: (a) Purchase of existing enterprises and minority interests	253	-	71	182
(b) Retained branch profits	-52	-2	-51	1
Plus: (a) U.S. financing, other than parent	(*)	-35	(*)	35
(b) Other adjustments and residual	-1	9	-1	-9
Equals: Net funds from U.S. (sources and uses)	1,389	41	789	559

\* Negligible

Source: "U.S. Firms Accelerate Capital Expenditures Abroad", Survey of Current Business, October 1964, page 11.

Funds from countries other than the U.S.

The U.S. authorities say of funds from countries other than the  
U.S. that:

Funds obtained abroad include funds obtained by foreign affiliates from other foreign affiliates of the U.S. reporter. Also included, on a net basis, are funds obtained from foreign financial institutions, trade credits from foreigners, sales or purchases of capital stock of the foreign affiliate by foreigners, and other increases in liabilities to foreigners. <sup>13/</sup>

Elsewhere, they state that:

The largest external source abroad, other increases in foreign liabilities, represents trade credits, accruing taxes and other liabilities, and probably some long-term debt sold to the public. <sup>14/</sup>

Other sources and adjustments

The U.S. authorities state that this item:

includes sales of fixed assets, changes in certain reserve accounts, unidentifiable sources, and adjustments for unrealized gains or losses due to exchange rate variations which the reporter was unable to exclude from the other individual sources categories. <sup>15/</sup>





## Plant and equipment expenditures

Of these it is said:

Plant and equipment expenditures...represent gross outlays for fixed capital. Expenditures include acquisitions of existing fixed assets by affiliates, but exclude the sales of fixed assets (which is reported in sources as "other sources and adjustments") 16/

More detailed series about expenditures on property, plant and equipment are used in Chapters IX and X. In this case, the data from 1966 are linked to the 1966 Census and the second definition of foreign affiliates given at the beginning of this chapter applies. Data for expenditures on plant and equipment which appear in the general tables on sources and uses of funds cover three industrial groups: mining and smelting, petroleum, and manufacturing. The more detailed series in Chapters IX and X cover the three industrial groups mentioned above and also other industries which include "agriculture, public utilities, communications and transportation, trade, finance and service industries..." 17/

The two series for expenditures on plant and equipment come from different statistical surveys, and are not reconciled for the years 1958 and 1965.

## Inventories and current receivables

Of these it is said:

The use of funds for "inventories" refers to the net increase or decrease in book value of warehouse and factory stocks and in materials in process other than those classified as fixed assets by the reporter. The increase in "current receivables" is the net change in receivables due from foreign customers. (To the extent possible, receivables from non-affiliated customers in the United States are netted against the affiliates' payables in "funds from the United States" under sources). 18/

## Other assets

Of these it is said, in various places:

The net change in "other assets" includes all other current assets, other non-fixed assets, and unspecified transactions. 19/

The nature of these assets is not identified in the reports supplied by the companies; they range from investments in the stock of existing companies - or their outright acquisition - to accumulations of liquid assets in the form of deposits or government obligations. 20/

Changes in the "other" asset category...cannot be interpreted with any precision because no details are obtained in the basic reports and because this category contains unidentified balancing items. 21/





However, it is possible to get some idea of what is included under this heading: it includes "not only cash but also acquisitions of other assets". 22/

#### Footnotes

- 1/ The definitions of the 1966 Census are given in pages 187 to 239 of U.S. Direct Investments Abroad 1966 - Part I: Balance of Payments Data which was published by the U.S. Department of Commerce in the fall of 1971. These definitions were the subject of Chapter II of the working paper United States Business Investment in Foreign Countries: A Note on the 1966 U.S. Survey Questionnaire, which was issued by the Foreign Investment Division in December 1969.
- 2/ "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms, 1967-68", Survey of Current Business, November 1970, page 17.
- 3/ "U.S. Firms Accelerate Capital Expenditures Abroad", Survey of Current Business, October 1964, page 11.
- 4/ "Property, Plant and Equipment Expenditures by Majority-Owned Foreign Affiliates of U.S. Companies: Revised Estimates for 1966-72 and Projections for 1973 and 1974", Survey of Current Business, December 1973, page 19.
- 5/ An example of this is given in the following two sentences:  
  
"Data for earnings, income paid out and the residual amount of retained earnings are related to the estimates prepared for the balance of payments, but differ in the following aspects..."  
  
From: "Capital Outlays Abroad by U.S. Companies: Rising Plant Expenditures in Manufacturing", Survey of Current Business, October 1960, page 24.  
  
"Certain items - net income, funds from the United States, income paid out, and retained earnings - are related to data reported by a much larger group of companies filing quarterly reports required for the compilation of the balance of payments accounts..."  
  
From: "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms, 1965", Survey of Current Business, January 1967, page 31.
- 6/ "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms, 1965" Survey of Current Business, January 1967, page 31.
- 7/ Idem.
- 8/ Idem.
- 9/ Idem.
- 10/ "Capital Outlays Abroad by U.S. Companies: Rising Plant Expansion in Manufacturing", Survey of Current Business, October 1960, page 24.
- 11/ "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms, 1967-68", Survey of Current Business, November 1970, page 18.





12/ Ibid., page 19.

13/ Ibid., page 18.

14/ "Foreign Operations of U.S. Industry Capital Expenditures, Sales, and Financing", Survey of Current Business, October 1963, page 17.

15/ "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms, 1967-68", Survey of Current Business, November 1970, page 19.

16/ Idem.

17/ "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms, 1965", Survey of Current Business, January 1967, page 30.

18/ "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms, 1967-68", Survey of Current Business, November 1970, page 19.

19/ Idem.

20/ "U.S. Firms Accelerate Capital Expenditures Abroad", Survey of Current Business, October 1964, page 10.

21/ "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms, 1965", Survey of Current Business, January 1967, page 28.

22/ "Foreign Operations of U.S. Industry Capital Expenditures, Sales and Financing", Survey of Current Business, October 1963, page 17.



### III HOW THE STATISTICS WERE OBTAINED

#### General

As has been seen, this working paper is based on two groups of statistical series about the activities of U.S.-controlled affiliates in Canada. They consist of a general series about sources and uses of funds and a more detailed series about expenditures on plant and equipment.

The major main survey has been carried out since 1957 in the U.S. Department of Commerce by the Bureau of Economic Research, or by its predecessor, the Office of Business Economics. It consists of periodic censuses with annual sample surveys in between. The general statistical series on sources and uses of funds are based on this set of surveys alone. In addition, there is a supplementary annual survey of expenditures on plant and equipment at a six-month interval from the main annual survey.

#### Survey of sources and uses of funds

The general survey of sources and uses of funds of foreign affiliates of U.S. firms began with a census in 1957, and continued with annual surveys on a sample basis until 1965. In 1966 there was another census. As explained in Chapter I, the results of this have not yet been applied to the published material on which this working paper is based, with the exception of expenditures on plant and equipment. From 1967 on, there have been annual sample surveys.

The 1957 Census showed 2,812 U.S. enterprises, which had controlling interests (25 per cent or more) in foreign firms. The results were published by the Office of Business Economics in 1960 under the title U.S. Business Investments in Foreign Countries. The 1966 Census covered about 3,400 parent companies with about 23,000 foreign affiliates.

Between the two censuses, and from 1967 on, there have been annual sample surveys. The reports from the parent companies surveyed are filed in June. The sample began with about 200 parents selected from those covered by the 1957 Census. By 1968, about 450 parent companies were covered, with about 4,000 foreign affiliates.

These annual sample surveys cover the sources and uses of funds of foreign affiliates of U.S. companies; the sales of these foreign affiliates;





and their expenditures on plant and equipment. Further information about the last item is also provided by the interim survey called "Projections of Plant and Equipment Expenditures".

So far as the survey data on sales are concerned, there are no more references in this working paper. They were used in the preparation of a related paper called Sales, Exports and Imports from the United States of Canadian Affiliates of U.S. Firms, Selected Years from 1957 to 1968.

The samples are blown up to universe for the years 1958 to 1965, on the basis of the 1957 Census. The relevant results of the 1966 Census have not yet been fully published. Because of that, the sample results for 1967 to 1968 have not been blown up to universe. To give a comparison over time, the sample data for 1963 to 1965 have also been published along with the sample data for 1967 and 1968. Consequently, for the years 1963 to 1965, there are two sets of data available. One is for the sample itself and the other for the universe estimated from the sample.

The U.S. statisticians give their view about the continuity involved in the comparison of the samples as follows:

While these data do not constitute a measure of total flows or absolute amounts, they do represent a reasonably consistent, but unmatched sample of larger firms, giving a relatively accurate impression of the trend in the foreign affiliates "sources and uses of funds". <sup>1/</sup>

#### Survey on projections of plant and equipment expenditures

This survey collects data about actual expenditures as well as collecting the respondents' projections. The survey, which is usually mailed in November and completed in December, was

taken to update and revise the regular annual surveys, which have been conducted each May since 1958 ... Coverage in the interim surveys is somewhat smaller (than the annual survey on sources and uses) and information is provided only <sup>2/</sup> on the plant and equipment expenditures of each affiliate.

As was pointed out in Chapter I, the data for 1957 were census data, and from 1958 to 1965 they were sample data expanded to universe totals on the basis of the 1957 Census. The data for 1966 were taken directly from the 1966 Census, and from 1967 on, samples have been expanded on the basis of that Census.





In 1966, the definition of the universe was changed to include all primary and secondary foreign affiliates in which U.S. ownership is at least 50 per cent (majority-owned affiliates). Formerly, the universe was defined to include all primary foreign affiliates in which U.S. ownership was at least 25 per cent. The net effect of the change in definition on the data series, by itself, was probably small since it resulted in both additions to and deletions from the universe; majority-owned secondary affiliates are now included in the universe while primary affiliates in which U.S. ownership is between 25 and 49 per cent are now excluded.

For the estimates of expenditures on plant and equipment since 1966, the procedure for deriving the universe estimates from sample data has been changed from that used previously.<sup>3/</sup> The technical details are complex, but the main effect is to reflect in the sample the births of new enterprises in the universe as a whole, and the disappearance of existing enterprises from the universe. Previously, adjustments were made for births and deaths in the universe as a whole while blowing up the sample.<sup>4/</sup>

#### Industrial cover

In the consolidated series on sources and uses of funds, data are given for three major industrial groups. These are mining and smelting, petroleum, and manufacturing. In the separate series on plant and equipment expenditures, the cover is broadened to include a group "other industries" which consists of agriculture, public utilities, communications and transportation, trade, finance and service industries.<sup>5/</sup>

#### Years covered

The consolidated series on sources and uses of funds are given for the years 1957 to 1965 and for the years 1967 and 1968.

The separate series on expenditures for plant and equipment are based on the general survey and on the Survey of Projections. Consequently, data are given for all years from 1957 to 1972. The figures for plant and equipment expenditures given in the series on sources and uses of funds differ in 1958 and 1965 from those given in the separate series. No reconciliation has been made in the Survey of Current Business.



### The 1966 Census results

It has been mentioned in several places that the results already published for the 1966 Census are not on a basis comparable to the data used in this text. A reference to them, together with brief notes on why the data are not comparable, may be of interest.

The first results from this 1966 Census were given in U.S. Direct Investments Abroad, 1966 Part I: Balance of Payments Data. This document is a supplement to the Survey of Current Business, and its publication was announced in the issue for August 1971. As the title indicates, it does not deal specifically with sources and uses of funds.

There were three other documents published at the beginning of 1972, under the general title U.S. Direct Investments Abroad, 1966 Part II: Investment Position, Financial and Operating Data, with separate documents for Group 1, Group 2 and Group 3. These books constitute the preliminary reports on foreign affiliates of the U.S. petroleum, manufacturing, and other industries. The organization of the data in these reports differs from that in Part I of the 1966 report, and from the annual data used in this study. The Part II reports are based on information about all foreign affiliates of U.S. parents according to the activity of the U.S. parent, and not according to the activity of the affiliates.

A final publication of the Census results will include data based on the industry of affiliates irrespective of the industry of the U.S. reporters.<sup>6/</sup> This final publication will thereby yield "data classified on a comparable basis to those presented in Part I, earlier surveys, and the annual direct investment reports".<sup>7/</sup>

There was also in the Survey of Current Business of December 1973 an article in which the estimates of plant and equipment expenditures were revised from 1966 to 1972. Of these it was said:

The property, plant and equipment series is the first to be benchmarked to the 1966 Census of U.S. direct investment abroad and the first to which modified procedure for computing universe estimates has been applied.<sup>8/</sup>

### Footnotes

<sup>1/</sup> "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms, 1967-68", Survey of Current Business, November 1970, page 15.





- 2/ "Revised Projections of Foreign Plant and Equipment Expenditures by Affiliates of U.S. Firms", Survey of Current Business, March 1966, page 7.
- 3/ "Property, Plant and Equipment Expenditures by Majority-Owned Foreign Affiliates of U.S. Companies: Revised Estimates for 1966-72 and Projections for 1973 and 1974", Survey of Current Business, December 1973, page 19.
- 4/ Ibid., pages 21 to 23.
- 5/ "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms, 1965", Survey of Current Business, January 1967, page 30.
- 6/ U.S. Direct Investment Abroad, 1966 Part II: Investment Position, Financial and Operating Data, Group 3, page 9.
- 7/ Ibid., page 11.
- 8/ "Property, Plant and Equipment Expenditures by Majority-Owned Foreign Affiliates of U.S. Companies: Revised Estimates for 1966-72 and Projections for 1973 and 1974", Survey of Current Business, December 1973, page 23.





#### IV SOURCES AND USES OF FUNDS - GENERAL

##### General introduction

This chapter reviews selected data on the financial operations of Canadian affiliates of U.S. firms. The aspects of these operations which were chosen by the U.S. Department of Commerce for their statistics consist of specified sources from which funds are obtained, and the uses to which funds from these sources are put.

##### Accounting explanation

The sources covered are those which make funds available to the firm for allocation, either for financing its activities, or for distribution to the owners. They consist of net income, depreciation and depletion charges, funds from the U.S., funds from countries other than the U.S., and a residual amount called "other sources and adjustments".

The uses to which funds from these sources are put consist of income paid out, expenditure on plant and equipment, changes in inventories, changes in receivables, and a residual called "other assets".

For the rest of this working paper, the selected sources and uses which are listed above will be referred to as total sources and uses, or as all sources and uses. The funds concerned will be referred to as funds from all sources, or as funds for all purposes.

##### Sources and uses of funds for all purposes

Figure IV-1 shows one way to summarize all sources and uses of funds within one statement. The totals in the right-hand column should be equal, but differ because of rounding errors.



FIGURE IV-1

FUNDS FOR ALL PURPOSES, BY SOURCE AND USE,  
IN THE MINING AND SMELTING, PETROLEUM AND MANUFACTURING AFFILIATES,  
RESULTS OF SURVEYS, YEAR ENDED DECEMBER 31, 1968

(millions of U.S. dollars)

	Funds for all purposes		
<u>Source:</u>			
Operations			
Net income	\$1,027		
Depreciation and depletion charges	<u>864</u>	\$1,891	
Funds obtained from countries other than the United States	539		
Funds obtained from the U.S.	<u>127</u>	666	
Other sources and adjustments	<u>53</u>	<u>53</u>	<u>\$2,610</u>
<u>Use:</u>			
Plant and equipment expenditures	\$1,479		
Other assets	348		
Income paid out	<u>498</u>	\$2,325	
Changes in receivables	203		
Changes in inventories	<u>81</u>	<u>284</u>	<u>\$2,609</u>

Source: Tables CD-US102 and CD-US112.

Sources and uses of funds for internal purposes

There is a significant distinction between those funds which are used for development of the subsidiary, and those which are distributed to the owners. In order to facilitate a separate analysis of the funds which are used internally, the U.S. statisticians have introduced the concepts of adjusted sources and adjusted uses. Funds from adjusted sources consist of funds from all sources less income paid out. Funds for adjusted uses consist of funds for all uses less income paid out. <sup>1/</sup>

Figure IV-2, based on the same statistics as Figure IV-1, presents the accounting statement of the sources and uses of funds for internal purposes. The totals in the right-hand column should be equal, but differ because of rounding errors.





FIGURE IV-2

FUNDS FOR INTERNAL PURPOSES, BY SOURCE AND USE,  
IN THE MINING AND SMELTING, PETROLEUM AND MANUFACTURING AFFILIATES,  
RESULTS OF SURVEYS, YEAR ENDED DECEMBER 31, 1968.

(millions of U.S. dollars)

		Funds for internal purposes		
<u>Source:</u>				
	Operations			
	Retained earnings	\$ 539		
	Depreciation and depletion charges	<u>864</u>	\$1,393	
	Funds obtained abroad	539		
	Funds obtained from the U.S.	127		
	Other sources and adjustments	<u>53</u>	<u>719</u>	<u>\$2,112</u>
<u>Use:</u>				
	Plant and equipment expenditures	\$1,479		
	Other assets	<u>348</u>	\$1,827	
	Changes in receivables	203		
	Changes in inventories	<u>81</u>	<u>284</u>	<u>2,111</u>

These funds for internal purposes were calculated by deducting income paid out from net income in Figure IV-1, to leave retained earnings; and by eliminating income paid out from the uses.

Presentation of the statistics

As has been seen in Chapter III, there are two sets of data available: one for the estimates of the statistical universe from 1957 to 1965, and one for the sample results from 1963 to 1965 and for 1967 and 1968.

Because of this, there are two sets of basic tables in Annex A. For each type of presentation, there is one table which gives the estimates for the universe, and another which gives the sample results.

Tables CD-US101 to CD-US110 show all the sources of funds of Canadian affiliates of U.S. firms. Tables CD-US111 to CD-US118 show all the uses to which these funds were put. The odd-numbered tables give estimates of the universe, and the even-numbered tables the results of sample surveys.



Because the time series for the universe and for the sample overlap during three years, it is possible to follow the way in which the sources and uses of funds changed over the whole period, and especially the way in which ratios between items changed. Table IV-1 below shows, for two items, the universe and sample results in columns next to each other, so that the figures for common years can be readily compared.

TABLE IV-1

FUNDS FOR INTERNAL PURPOSES AS PER CENT OF FUNDS  
FOR ALL PURPOSES, 1957-1965, 1967 and 1968.

Year	Funds for all purposes		Funds for internal purposes		Funds for internal purposes as per cent of funds for all purposes	
	Universe	Sample	Universe	Sample	Universe	Sample
	Millions of U.S. dollars	Millions of U.S. dollars	Millions of U.S. dollars	Millions of U.S. dollars	Per cent	Per cent
	(1)	(2)	(3)	(4)	(5)	(6)
1957	1,863		1,530		82.1	
1958	1,707		1,363		79.8	
1959	1,845		1,493		80.9	
1960	1,737		1,347		77.5	
1961	1,852		1,364		73.7	
1962	2,106		1,601		76.0	
1963	2,338	1,666	1,927	1,327	82.4	79.7
1964	2,576	2,038	2,004	1,672	77.8	82.0
1965	3,398	2,656	2,758	2,177	81.2	82.0
1967		2,527		2,046		81.0
1968		2,611		2,113		80.9

Source: Columns (1), (3) Table CD-US101  
Columns (2), (4) Table CD-US102

Funds for all purposes, as estimated for the universe, fluctuated from \$US 1,863 million in 1957 to about the same level in 1961. They then increased steadily until 1965. The same funds, as measured by the sample, also rose from 1963 to 1965, and then levelled off for the two years 1967 and 1968.





Funds available for internal purposes declined from their 1957 total of \$US 1,530 million, and did not exceed it until 1962. The years from 1963 to 1965 saw increases for the universe totals, as they did for the sample totals. In 1967 and 1968, the sample totals levelled off.

For the years from 1963 to 1965, the difference in size between the figures for the universe and for the sample was substantial. The sample figures were about four-fifths of those for the universe. For the same years, the variation between the universe and the sample in the percentage of funds which was available for internal purposes was much less than the equivalent variation in dollar terms. Inspection of the last two columns of Table IV-1 demonstrates this.

In general, the survey results that are given for 1963 to 1965 and for 1967 and 1968 are more reliable as indicators of changes in the proportional significance of components of the totals than they are as actual statements of the individual magnitudes concerned. The U.S. authorities state this as follows:

While these data do not constitute a measure of total flows or absolute amounts, they do represent a reasonably consistent, but unmatched, sample of larger firms, giving a relatively accurate impression of the trend in the foreign affiliates' sources and uses of funds. 2/

#### Sources of funds - Canadian affiliates and the world picture

The Canadian affiliates are regarded by the U.S. statistical authorities as part of a world-wide system, and an indication is available of their significance in the total system.

Table IV-2 below shows the funds that were available for all purposes to the foreign mining and smelting, petroleum, and manufacturing affiliates of U.S. firms throughout the world. It also shows what percentage of this total was accounted for by affiliates located in Canada, in Europe, and in other areas. Data are given from 1957 to 1965 as estimates of the universe; from 1963 to 1965 and in 1967 and 1968 as sample surveys.

In 1968, Canadian affiliates accounted for 18.0 per cent of the total financing of affiliates in all regions, for the industrial groups under reference. This percentage increased from 24.6 per cent in 1957 to 27.2 per cent in 1959, and then declined.



A major reason for the decline in this percentage was the rapid expansion in the scale of operations of the European affiliates. Between 1957 and 1965, their funds from all sources tripled from \$US 1,560 million to \$US 4,690 million. Over the same period, the percentage of total funds accounted for by the European affiliates increased from 20.6 per cent to 31.8 per cent. In 1967 and 1968, the percentage of total funds accounted for by European affiliates was a little lower at 29.8 per cent and 29.9 per cent.

TABLE IV-2

FUNDS FOR ALL PURPOSES, PERCENTAGE DISTRIBUTION FOR  
FOREIGN MINING AND SMELTING, PETROLEUM, AND MANUFACTURING  
AFFILIATES OF U.S. FIRMS, FOR 1957-1965 AND 1967-1968, BY AREA.

Year	All areas		Canada		Europe		Other areas	
	Millions of U.S. dollars	Per cent	Millions of U.S. dollars	Per cent	Millions of U.S. dollars	Per cent	Millions of U.S. dollars	Per cent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1957	7,584	100.0	1,863	24.6	1,560	20.6	4,163	54.9
1958	6,441	100.0	1,707	26.5	1,539	23.9	3,195	49.6
1959	6,774	100.0	1,845	27.2	1,877	27.7	3,052	45.1
1960	7,245	100.0	1,737	24.0	2,001	27.6	3,507	48.4
1961	8,217	100.0	1,852	22.5	2,578	31.4	3,787	46.1
1962	8,806	100.0	2,106	23.9	2,540	28.8	4,160	47.3
1963	10,397	100.0	2,338	22.5	3,300	31.7	4,759	45.8
1964	11,976	100.0	2,576	21.5	3,930	32.8	5,470	45.7
1965	14,761	100.0	3,398	23.0	4,690	31.8	6,673	45.2
1966								
1967 <sup>1/</sup>		100.0		20.1		29.8		50.1
1968 <sup>1/</sup>		100.0		18.0		29.9		52.1

<sup>1/</sup> The data for 1967 and 1968 are based on the unexpanded returns from the affiliates that took part in the survey.

Source: 1957: "Capital Outlays Abroad by U.S. Companies: Rising Plant Expansion in Manufacturing", Survey of Current Business, October 1960, Table 4, page 23.

1958-1959: "Foreign Capital Outlays and Sales of U.S. Companies", Survey of Current Business, September 1961, Table 5, page 22.

1960-1961: "Foreign Operations of U.S. Industry", Survey of Current Business, October 1963, Table 5, page 18.

1962: "Financing and Sales of Foreign Affiliates of U.S. Firms", Survey of Current Business, November 1965, Table 1, page 15.





1963-1965: "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms, 1965", Survey of Current Business, January 1967, Table 1, page 28.

1967-1968: "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms, 1967-68", Survey of Current Business, November 1970, Table 2, page 16.

Footnotes

1/ "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms, 1967-68", Survey of Current Business, November 1970, page 15.

2/ Idem.



V FUNDS FROM ALL SOURCES

Now that the funds available for all purposes to Canadian subsidiaries of U.S. firms have been put into their world perspective, the nature of the sources from which they come will be examined. Tables CD-US101 and CD-US102 give a breakdown of the sources from which funds were obtained for the aggregate of Canadian subsidiaries engaged in mining and smelting, in petroleum, and in manufacturing. Table CD-US101 gives estimates of the universe for 1957 to 1965. Table CD-US102 gives the unexpanded survey results from 1963 to 1965, for 1967 and for 1968.

The U.S. authorities break down funds from all sources into five components:

- (a) income paid out
- (b) retained earnings
- (c) depreciation and depletion
- (d) funds from the U.S.
- (e) funds from countries outside the U.S.

The way in which the five components can be built up into various accounting concepts is illustrated in Figure V-1, below. The first line illustrates that funds from all sources comprise all five components. The second shows how net income is made up. The third shows the components of internally generated funds, or the funds which are raised within the firm. The fourth shows where externally generated funds come from. These are the funds which are raised from outside the firm. The fifth shows the four components of funds available for internal use. The sixth shows funds generated internally for internal use. The seventh shows funds generated within Canada for internal use, and indicates that only a part of funds from countries other than the U.S. can be included in this concept.





FIGURE V-1

CONCEPTUAL CLASSIFICATIONS OF SOURCES OF FUNDS

	Income paid out	Retained earnings	Depreciation and depletion	Funds from the U.S.	Funds from all countries
Funds from all sources					
Net income					
Internally generated funds					
Externally generated funds					
Funds available for in- ternal use (adjusted sources)					
Funds generated inter- nally for internal use					
Funds generated within Canada for internal use					PART

The distribution of funds from all sources, by source, will now be studied. (The distribution of funds from adjusted sources, as presented in the Survey of Current Business and repeated in Annex A, will be studied in Chapter VI). Table V-1 below gives the percentage breakdown of funds from all sources.

TABLE V-1

FUNDS FROM ALL SOURCES, PERCENTAGE DISTRIBUTION  
BY SOURCE, ESTIMATES OF UNIVERSE, 1957-1965  
(per cent)

Year	Funds obtained from					
	All sources	Net income	Depreciation and depletion	External sources in U.S.	External sources in other countries	Other sources and adjustments
	(1)	(2)	(3)	(4)	(5)	(6)
1957	100.0	35.6	26.1	25.8	12.6	-
1958	100.0	31.7	29.8	24.8	13.8	-
1959	100.0	38.5	30.1	20.4	10.9	-
1960	100.0	45.3	34.7	21.4	-1.3	-
1961	100.0	41.0	34.4	12.7	11.9	-
1962	100.0	43.0	32.3	9.5	15.2	-
1963	100.0	45.1	32.5	8.2	13.8	0.4
1964	100.0	47.5	29.2	4.9	15.1	3.4
1965	100.0	36.8	24.8	18.6	17.1	2.7



Net income consistently ranks as the largest source of funds. The share attributable to it was 35.6 per cent in 1957 and 36.8 per cent in 1965. In between, it ranged from 31.7 per cent in 1958 to 47.5 per cent in 1964.

Allowances for depreciation and depletion also constituted a major source of funds. The share attributable to them grew from 26.1 per cent in 1957 to 34.7 per cent in 1960, before gradually dropping to 24.8 per cent by 1965.

Funds raised externally in the U.S. constituted a smaller, but still substantial, portion of the total funds. From 1957 to 1964 there was a steady decline in the proportion of funds raised in the U.S., from 25.8 per cent to 4.9 per cent. However, this figure rose abruptly to 18.6 per cent in 1965. Funds raised externally from countries other than the U.S. were between 10 and 16 per cent most of the time.

Generally speaking, the important aspect of the distribution of the funds by sources was the high proportion accounted for by net income and by depreciation and depletion.

The extent to which funds are generated within Canada cannot be precisely determined. Since the internal sources are within the affiliates, they are naturally within Canada, and they provide a statement of the lower limit to Canadian financing. Insofar as the external sources are in the United States, deduction of funds raised there from total funds provides a statement of the upper limit to Canadian financing. Within these limits, the total from Canadian sources cannot be established because funds from countries other than the U.S. include some funds raised in Canada, as do funds from the group of sources known as "other sources and adjustments".

Table V-2 below shows the percentage of funds for all purposes which came from external sources. Estimates of the universe are given from 1957 to 1965 and survey results are given from 1963 to 1965 and for 1967 and 1968.





TABLE V-2

FUNDS FROM ALL SOURCES, PERCENTAGE DERIVED FROM  
EXTERNAL SOURCES, 1957 TO 1965 AND 1967 TO 1968  
(per cent)

Year	Funds obtained from							
	All sources		External sources					
			Total		In U.S.		In countries other than U.S.	
	Universe	Sample	Universe	Sample	Universe	Sample	Universe	Sample
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1957	100.0		38.4		25.8		12.6	
1958	100.0		38.6		24.8		13.8	
1959	100.0		31.3		20.4		10.9	
1960	100.0		20.1		21.4		-1.3	
1961	100.0		24.6		12.7		11.9	
1962	100.0		24.7		9.5		15.2	
1963	100.0	100.0	22.0	24.6	8.2	10.1	13.8	14.5
1964	100.0	100.0	20.0	22.8	4.9	7.7	15.1	15.1
1965	100.0	100.0	35.7	39.4	18.6	20.7	17.1	18.7
1967		100.0		26.3		9.6		16.7
1968		100.0		25.5		4.9		20.6

Source: Derived from Tables CD-US101 and CD-US102.

The proportion of funds attributable to the two external sources individually from 1957 to 1965 was given in Table V-1. Table V-2 gives their total and also unexpanded survey results for 1967 and 1968.

The survey results indicate that the tendency for funds from the U.S. to contribute a lower proportion resumed in 1967 and 1968 after the brief upswing in 1965. The proportion of funds raised in countries other than the U.S. likely changed little in 1967 and 1968 according to the sample results. So far as external funds as a whole are concerned, the proportion of total funds obtained from them showed a downward trend with considerable fluctuation.

Table V-3 shows the percentage of funds for all purposes which came from internal sources. Estimates of the universe are presented from 1957 to 1965 and unexpanded survey results are given from 1963 to 1965 and for 1967 and 1968.



TABLE V-3

FUNDS FROM ALL SOURCES, PERCENTAGE DERIVED FROM  
INTERNAL SOURCES, 1957 TO 1965 AND 1967 TO 1968.

(per cent)

Year	Funds obtained from							
	All sources		Internal sources					
			Total		Net income		Depreciation and depletion	
	Universe	Sample	Universe	Sample	Universe	Sample	Universe	Sample
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1957	100.0		61.7		35.6		26.1	
1958	100.0		61.5		31.7		29.8	
1959	100.0		68.6		38.5		30.1	
1960	100.0		80.0		45.3		34.7	
1961	100.0		75.4		41.0		34.4	
1962	100.0		75.3		43.0		32.3	
1963	100.0	100.0	77.6	73.6	45.1	40.5	32.5	33.1
1964	100.0	100.0	76.7	72.9	47.5	42.3	29.2	30.6
1965	100.0	100.0	61.6	57.7	36.8	32.1	24.8	25.6
1967		100.0		68.3		36.6		31.7
1968		100.0		72.4		39.3		33.1

Source: Derived from Tables CD-US101 and CD-US102.

Internal sources are broken down between net income and allowances for depreciation and depletion. Percentages of funds obtained from these sources individually from 1957 to 1965 have been examined in Table V-1. In Table V-3 the total is given and unexpanded survey results for 1967 and 1968 are added. The sample indicates that the proportion of funds received from net income increased from the 1965 level in 1967 and 1968, as did the proportion supplied by depreciation and depletion. The proportion of funds obtained from internal sources as a whole tended to rise over the period, with considerable fluctuation.

Because net income is so important as a major source of funds, a look will be taken in Table V-4 at the proportion of it which is paid out and thus not available for use within the affiliates.





TABLE V-4

INCOME PAID OUT AS PER CENT OF NET INCOME  
1957 TO 1965, 1967 AND 1968

Year	Net income		Income paid out		Income paid out as per cent of net income	
	millions of U.S. dollars		millions of U.S. dollars		per cent	
	Universe	Sample	Universe	Sample	Universe	Sample
	(1)	(2)	(3)	(4)	(5)	(6)
1957	662		333		50.3	
1958	541		344		63.6	
1959	711		352		49.5	
1960	786		390		64.2	
1961	760		488		64.2	
1962	905		505		55.8	
1963	1,055	675	411	339	39.0	50.2
1964	1,223	863	572	366	46.8	42.4
1965	1,250	852	640	479	51.2	56.2
1967		925		481		52.0
1968		1,027		498		48.5

Source: Columns (1) and (3) from Table CD-US101  
Columns (2) and (4) from Table CD-US102

Table V-4 shows income paid out as a percentage of net income. The results indicate that roughly half of net income was paid out, and that the proportion did not vary drastically during the years under study.

Table V-5 below shows funds for internal purposes (funds from all purposes less income paid out) as a percentage of funds for all purposes. They appear to have made up about four-fifths of total funds, and to have remained fairly steady about that level.



TABLE V-5

FUNDS FOR INTERNAL PURPOSES AS A PERCENTAGE OF FUNDS FOR ALL PURPOSES

Year	Funds for all purposes		Funds for internal purposes		Funds for internal purposes as a percentage of funds for all purposes	
	millions of U.S. dollars		millions of U.S. dollars		per cent	
	(1)	(2)	(3)	(4)	(5)	(6)
1957	1,363		1,530		82.1	
1958	1,707		1,363		79.8	
1959	1,845		1,493		80.9	
1960	1,737		1,347		77.5	
1961	1,852		1,364		73.7	
1962	2,106		1,601		76.0	
1963	2,338	1,666	1,927	1,327	82.4	79.7
1964	2,576	2,038	2,004	1,672	77.8	82.0
1965	3,398	2,656	2,758	2,177	81.2	82.0
1967		2,527		2,046		81.0
1968		2,611		2,113		80.9

Source: Columns (1) and (3) from Table CD-US101.  
Columns (2) and (4) from Table CD-US102.





## VI FUNDS FROM ADJUSTED SOURCES

In Chapter V, the distribution of funds from all sources was considered. However, when a percentage breakdown of funds by source is presented in the Survey of Current Business, the funds from adjusted sources are used as a base. In this chapter, the percentage distribution used by the U.S. authorities and repeated in Tables CD-US101 to CD-US110 is examined.

### Funds from all sources

Funds coming from all sources during 1957 amounted to \$US 1,863 million. They were less than this for each of the next four years, then rose each year to reach \$US 3,398 million in 1965. Results of the sample survey indicate that the amounts in 1967 and 1968 were probably somewhat lower than in 1965.

Income paid out increased each year, except in 1963. The sample results indicate that it very likely continued to increase in 1967 and 1968.

### Funds from adjusted sources

When income paid out is deducted from funds from all sources, the funds from adjusted sources are left. These are the ones which are available for use within the affiliate. Their total in 1957 was \$US 1,530 million. For the next four years, it was lower. In 1962, it rose above the 1957 level and by 1965 had risen to \$US 2,758 million. Results from the sample survey indicate that the totals in 1967 and 1968 were probably less than in 1965.

The percentage of funds from adjusted sources which was raised from retained earnings fluctuated over the period. In 1957, 21.5 per cent of funds for internal use came out of retained earnings. This share dropped to 14.5 per cent in 1958 and then fluctuated to a level of 22.1 per cent in 1965. The peak occurred in 1963 when 33.4 per cent of funds for internal use came out of retained earnings. Results of the survey for 1967 and 1968 indicate increases above the 1965 figure.

Funds generated out of depreciation and depletion made up a similar proportion of funds from adjusted sources at the beginning and end of the period. The 1965 share of 30.5 per cent is very close to the 31.8 per cent which was reported in 1957. However, between these years considerably higher percentages were reported. The lowest figure for this seven-year period was



37.2 per cent and the peak was 46.7 per cent. The survey results indicate the percentages were higher than in 1965, in both 1967 and 1968.

Funds from retained earnings and from depreciation and depletion make up funds from internal sources. The proportion of funds from adjusted sources which was raised internally was at similar levels in 1957 and 1965. In 1957, 53.3 per cent of these funds were so raised. In 1965 the figure was 52.6 per cent. However, between these years, with the exception of 1958, the percentage was higher, and in three years was 70 per cent or more. Results of the survey indicate that the percentage was also probably higher than the 1965 level in 1967 and 1968.

Funds from adjusted sources comprise, in addition to funds from internal sources, funds from external sources and also funds from other sources (which includes statistical and other adjustments).

Funds generated externally made up 46.7 per cent of funds from adjusted sources in 1957. In 1965 this figure stood at 44.1 per cent. In between, the proportion was generally lower, with a trough of 25.6 per cent in 1964. Results of the survey show that the percentages in both 1967 and 1968 were lower than in 1965.

Some of the funds generated externally were obtained from the U.S. These made up a decreasing proportion over the years reported. In 1957, 31.4 per cent of funds from adjusted sources came from the U.S. In 1958, 31.0 per cent was the reported share. From this point the percentage gradually decreased to a low of 6.2 per cent in 1964. A sharp increase in 1965 brought the percentage up to 23.0 per cent, which was still well below the level for 1957. The survey results indicate that the proportion was lower in 1967 and 1968 than it was in 1965.

Funds generated externally from countries outside the U.S. (which include those raised in Canada) moved erratically as a percentage of funds from adjusted sources. From 15.3 per cent in 1957 the percentage rose to 17.2 per cent in 1958 and then declined to a trough of minus 1.6 per cent in 1960. In 1961, this figure moved sharply to 16.1 per cent and then fluctuated over a narrow range to 21.1 per cent in 1965. Results of the survey indicate a lower figure for 1967 than for 1965, and a higher one for 1968.

In summary, the major change in the distribution of funds from adjusted sources has been a shift towards internally generated funds. This was caused





mainly by a decrease in the proportion of funds raised in the U.S., balanced mainly by an increase in funds raised out of allowances for depreciation and depletion.

#### Industrial distribution

Table CD-US103 shows how much of the funds generated from all sources were obtained by mining and smelting affiliates, petroleum affiliates, and manufacturing affiliates from 1957 to 1965. Table CD-US104 shows the sample results for the period from 1963 to 1965 and for 1967 and 1968.

All three industrial groups show an increase in funds in dollar terms. On a percentage basis, there has been considerable shifting between the groups. It is clear that manufacturing was the predominant sector throughout, followed by petroleum and then by mining and smelting.

#### Mining and smelting

Table CD-US105 gives sources of funds for the mining and smelting industries from 1957 to 1965, as estimates of the statistical universe. Table CD-US106 gives unexpanded survey data from 1963 to 1965, and from 1967 to 1968.

Both tables show a gradual, though not continuous, increase in total funds available. In 1957, \$US 269 million of funds were available from all sources. By 1965, \$US 564 million were available. Results of the survey indicate that the level for 1968 was substantially above that of 1965.

Income paid out rose from U.S. \$70 million in 1957 to U.S. \$164 million in 1965, with an increase for each year except 1958. The survey results show further increases in 1967 and 1968.

Funds from adjusted sources increased over the period, although with considerable variations. Beginning with U.S. \$199 million in 1957, these funds went down to U.S. \$166 million in 1958. A peak of U.S. \$363 million was reached in 1960 and this level was not attained again until 1965 with U.S. \$400 million. Survey results indicate that the 1968 total was substantially above that of 1965, although the 1967 total was lower than in 1965.

For most of the period, the Canadian affiliates provided more than half of the financing they required from internal sources. However, the proportion



of internal financing dropped from 55.8 per cent in 1957 to 31.9 per cent in 1958 and 35.4 per cent in 1959. From then on, the proportion increased till reaching the peak of 82.4 per cent in 1963. Internal sources then dropped to 76.5 per cent of the financing required in 1964 and to 69.5 per cent in 1965. The sample indicates a contribution from internal funds of a much higher percentage in 1967 than in 1965, followed by a decline to a lower percentage than 1965 in 1968. The unusually high figure for 1967 was accompanied by a withdrawal of funds to the United States, as will be seen later.

Within the total for internal financing, depreciation and depletion charges provided more than 30 per cent of the funds obtained from adjusted sources by the mining and smelting affiliates, except in 1959, 1960 and 1961 where they were respectively 20.1 per cent, 20.7 per cent and 26.3 per cent. The sample indicates a higher percentage than 1965 in 1967, and a lower one in 1968.

Retained earnings of the mining and smelting affiliates made up 23.6 per cent of funds from adjusted sources in 1957, dropped severely to 1.8 per cent in 1958, rose to a peak percentage of 42.4 per cent in 1964 and ended at 39.0 per cent in 1965. The survey results indicate a higher percentage in 1967 than in 1965, and a lower percentage in 1968.

The funds raised within the mining and smelting affiliates were supplemented by funds raised externally. Their percentages also fluctuated considerably. From 44.2 per cent in 1957, the proportion of funds from adjusted sources which was raised externally rose to 64.6 per cent in 1959, then decreased steadily to 20.6 per cent in 1964. In 1965 there was an increase to 28.0 per cent. The sample indicates that funds from external sources contributed a minus percentage in 1967, and a much higher percentage in 1968 than in 1965.

Within the totals for external financing, funds supplied from the United States fluctuated widely. From 1957 to 1960 their percentage of the total from adjusted sources was substantial, with a peak of 55.6 per cent in 1960. In 1961, it was down to 3.0 per cent, back to 32.6 per cent in 1962, then down to minus 9.2 per cent in 1963. The percentages were 4.1 per cent in 1964 and 8.0 per cent in 1965. The sample indicates a net withdrawal of funds from Canada in 1967, and a percentage in 1968 well above the 1965 level.





Funds raised in countries other than the U.S. also varied widely as percentages of the total. From 5.5 per cent in 1957 they rose to 20.0 per cent in 1965, after ranging from 3.6 per cent to 46.1 per cent. The sample indicates figures in 1967 well below the 1965 level, and in 1968 somewhat above it.

The residual figure "other sources and adjustments" was not very significant from 1957 to 1965. In 1967 it appeared to be higher than usual.

For this sector, the parts played by funds raised internally and those raised externally were liable to change radically from year to year. In general, funds from external sources appeared to be the more volatile element. Within this volatile total, the mix of the two components - funds from the United States and from elsewhere - varied widely.

#### Petroleum

Table CD-US107 gives estimates of the universe for the sources of funds of Canadian petroleum affiliates for 1957 to 1965. Table CD-US108 gives unexpanded survey results from 1963 to 1965 and for 1967 and 1968.

Total funds available to Canadian petroleum affiliates were \$US 764 million in 1957. In 1965 the corresponding figure was \$US 782 million. In between these years, lower figures were reported. Survey results for 1967 and 1968 indicate that total funds available for petroleum affiliates were rising in those years.

Income paid out rose over the reported period. The 1965 total of \$US 140 million is more than double the \$US 66 million paid out in 1957. Annual increases were recorded in every year but two. The sample indicates levels for 1967 and 1968 somewhat higher than for 1965.

Funds from adjusted sources were \$US 698 million in 1957. By 1965 this total was a little smaller at \$US 642 million. During the intervening years, the figures were lower, with a low of \$US 383 million in 1959. Survey results indicate that levels in 1967 and 1968 were higher than in 1965.

The distribution of the components of funds for petroleum affiliates from adjusted sources shows a pronounced shift towards internally generated funds. In 1957, 36.4 per cent of funds from adjusted sources were raised



in this manner. By 1965 internally generated funds accounted for 50.1 per cent. Most of the intervening years showed substantially higher percentages than this. Results of the survey indicate that the 1965 percentage level was maintained in 1967 and increased in 1968.

Retained earnings showed considerable fluctuation over the period, as did allowances for depreciation and depletion. Retained earnings decreased from 12.0 per cent in 1957 to 1.2 per cent in 1958 but then moved gradually upwards to a peak of 24.9 per cent in 1964. In 1965 the share of retained earnings was 13.2 per cent, and survey results indicate somewhat higher levels for 1967 and 1968.

In 1957 depreciation and depletion provided 24.4 per cent of funds from adjusted sources. This proportion rose gradually to a peak of 52.5 per cent by 1961, then edged downwards to 36.9 per cent by 1965. The sample results indicate that there was a further decline in 1967, followed by a rise in 1968 which did not regain the 1965 level.

The proportion of funds raised externally in the petroleum industry showed a marked decline over the period under study. In 1957, 63.6 per cent of funds from adjusted sources were raised in this manner. By 1965 this share had decreased to 44.0 per cent. Moreover, in the intervening years all figures were below the 1965 result except for 1958 when 64.7 per cent of funds were externally raised. Results of the survey indicate that the proportion attributable to externally raised funds changed little in 1967 and 1968.

Funds from the U.S. and funds from countries other than the U.S. moved erratically over the period. Funds from the U.S. began, in 1957, with a 30.5 per cent share and ended in 1965 accounting for 34.7 per cent of funds from adjusted sources. In between, the figure fluctuated considerably, between a high of 44.9 per cent in 1958 and a low of 7.8 per cent in 1964. Survey results for 1967 and 1968 indicate that funds from the U.S. constituted much smaller proportions than in 1965.

Funds from countries other than the U.S. showed a similar variable pattern. From a level of 33.1 per cent in 1957, this source declined steadily as a percentage of funds from adjusted sources to a low of 4.8 per cent in 1961. From this point it increased to 21.6 per cent in 1964 before experiencing a sharp drop to 9.3 per cent in 1965. However, results



of the survey indicate that the part played by funds from countries other than the U.S. increased substantially over the 1965 level in both 1967 and 1968.

### Manufacturing

Table CD-US109 presents sources of funds of Canadian manufacturing affiliates of U.S. firms from 1957 to 1965. The data are expanded to give estimates of the universe. Table CD-US110 gives unexpanded survey results from 1963 to 1965 and for 1967 and 1968.

Funds available from all sources to the manufacturing sector increased considerably from 1957 to 1965. In 1957, \$US 830 million was raised from all sources. By 1965 the total was \$US 2,052 million. Survey results indicate decreases below the 1965 level in 1967 and 1968.

Income paid out increased from \$US 197 million in 1957 to \$US 336 million in 1965. Survey results suggest that for 1967 and 1968 the figures were a little below the 1965 level.

Funds from adjusted sources increased substantially from \$US 633 million in 1957 to \$US 1,716 million in 1965. Survey results indicate declines below the 1965 level in both 1967 and 1968.

Internally generated funds fluctuated over the entire period as a percentage of funds from adjusted sources. In 1957, this proportion was 71.3 per cent. It moved to a peak of 109.2 per cent in 1960, the figure of over 100 per cent being explainable by net outflows elsewhere. In 1961 a sharp drop to 71.1 per cent was experienced and from then to 1964 the proportion fluctuated around 70 per cent. In 1965 a decrease to 49.6 per cent was observed. Results of the survey indicate that the share attributable to internal financing increased above the 1965 level in 1967 and substantially above it in 1968.

One component of funds generated internally, retained earnings, provided 31.3 per cent of funds from adjusted sources in the manufacturing sector in 1957. In 1965 this proportion stood at 21.5 per cent. In between, considerable fluctuations were experienced with a peak of 49.3 per cent reported in 1960 and a trough of 18.5 per cent a year later. Survey results indicate increases above the 1965 level in 1967 and 1968.

Allowances for depreciation and depletion provided 40.0 per cent of funds from adjusted sources in 1957 and 28.1 per cent in 1965, with fluctuations





in between. A peak of 59.9 per cent was reached in 1960, after which there was a steady decline to the 28.1 per cent of 1965. Survey results indicate increases above the 1965 level in 1967 and 1968.

Funds generated externally fluctuated during the period under study. From 1957 to 1964, all years but one reported a share of roughly 20 per cent to 30 per cent. The exception was 1960 when a percentage of minus 9.2 per cent was reported. In 1965 the proportion of funds raised externally jumped to 47.7 per cent. However, results of the survey indicate that for 1967 and 1968 the proportion decreased substantially below the 1965 level.

The proportion of funds from adjusted sources which was raised in the U.S. fluctuated widely from 1957 to 1965. In 1957 it was 30.0 per cent, dropping to 16.4 per cent in 1958. It then fluctuated to 19.6 per cent in 1961, dropped to a low of 3.3 per cent in 1962, and was 6.5 and 6.2 per cent in 1963 and 1964. In 1965, the proportion rose suddenly to 22.0 per cent. Survey results indicate that the proportion in 1967 was below that of 1965, and that the percentage was negative in 1968.

Funds raised from outside the U.S. also experienced considerable fluctuations. In 1957 a net outflow resulted in a share of minus 1.3 per cent being recorded. In 1960, a result of minus 15.0 per cent was shown. In the other years, the proportions fluctuated. In 1965, the percentage was the highest in the period at 25.7 per cent. Survey results suggest a marked drop below the 1965 level in 1967 and little change in 1968.

### Summary

For the three industrial groups together, the proportion of funds from adjusted sources which came from internal sources is greater than the proportion which came from external sources for every observation during the period except the universe value for 1965.

For mining and smelting, the internal sources were the major source of financing in 1957, from 1961 to 1965, and in 1967.

In petroleum, the funds from adjusted sources were predominantly raised from internal sources in every year except 1957 and 1958.

In manufacturing, the major sources of funds were internal except for the sample value in 1965.



## VII USES OF FUNDS FOR ALL PURPOSES

The funds which are used for all purposes are the same as the funds which are obtained from all sources. Because of this identity, all comments made in Chapter V about funds from all sources apply also to those used for all purposes. Hence there is no need for further description of this total. The components only will be dealt with in this chapter.

Table VII-1 below gives the percentage distribution of the components of funds used for all purposes from 1957 to 1965. All data are estimates of the universe.

TABLE VII-1

FUNDS FOR ALL PURPOSES, PERCENTAGE DISTRIBUTION BY PURPOSE,  
UNIVERSE 1957-1965  
( per cent )

Year	Funds used for					
	All uses	Income paid out	Expenditures on plant and equipment	Increase in inventories	Increase in current receivables	Increase in other assets
	(1)	(2)	(3)	(4)	(5)	(6)
1957	100.0	17.9	70.2	6.7	0.7	4.6
1958	100.0	20.2	66.1	-5.4	5.4	13.8
1959	100.0	19.1	54.7	8.9	6.4	10.9
1960	100.0	22.5	59.5	5.4	3.5	9.2
1961	100.0	26.3	46.7	6.5	11.0	9.4
1962	100.0	24.0	47.6	10.2	8.3	9.9
1963	100.0	17.6	47.3	5.2	12.5	17.4
1964	100.0	22.2	53.4	9.0	7.1	8.2
1965	100.0	18.8	50.6	10.1	12.3	8.2

Source: Derived from Table CD-US111.

Income paid out remained relatively steady at about 20 per cent of all funds used. The peak of 26.4 per cent occurred in 1961 and the trough of 17.6 per cent just 2 years later. Plant and equipment expenditures constituted the greatest use of funds in every year although a relative decrease was observed. From 1957 to 1959 the proportion of funds used which was attributable to plant and equipment expenditures fell from 70.2 per cent to 54.7 per cent, then rose to 59.5 per cent in 1960. From 1961 to 1965, this figure remained fairly steady around 50 per cent, standing at 50.6 per cent in 1965. Funds used for increases in inventories, as a proportion of all funds used, were





fairly even from 1957 to 1965, generally at between 5 per cent and 10 per cent, except in 1958 when a percentage of minus 5.4 per cent was observed. Increases in current receivables, as a proportion of all funds used, showed a tendency to rise irregularly over the period under study. Other assets moved erratically over the period.

Table VII-2 shows a slightly different approach to the components of funds used for all purposes. It gives only two categories, income paid out and funds used for internal purposes. Unexpanded survey results from 1963 to 1965 and for 1967 and 1968 are also given.

TABLE VII-2

FUNDS FOR ALL PURPOSES, PERCENTAGE DISTRIBUTION BY PURPOSE,  
1957-1965 and 1967-1968

Year	Funds used for					
	All purposes		Income paid out		Internal purposes	
	Universe	Sample	Universe	Sample	Universe	Sample
	(1)	(2)	(3)	(4)	(5)	(6)
1957	100.0		17.9		82.1	
1958	100.0		20.2		79.8	
1959	100.0		19.1		80.9	
1960	100.0		22.5		77.5	
1961	100.0		26.3		73.7	
1962	100.0		24.0		76.0	
1963	100.0	100.0	17.6	20.3	82.4	79.7
1964	100.0	100.0	22.2	18.0	77.8	82.0
1965	100.0	100.0	18.8	18.0	81.2	82.0
1967		100.0		19.0		81.0
1968		100.0		19.1		80.9

Source: Derived from Tables CD-US111 and CD-US112.

In respect of income paid out, estimates of the universe given in Table VII-2 showed a steady proportion of roughly 20 per cent from 1957 to 1965. Survey results for 1967 and 1968 given in Table VII-2 suggest that this condition continued in those years. Because funds used for internal purposes constitute total funds used less income paid out, they constituted the remainder of funds used or roughly 80 per cent for all the reported years including 1967 and 1968. Survey results indicate that percentages in 1967 and 1968 were much the same.

These funds used for internal purposes are the subject of Chapter VIII.



#### VIII USES OF FUNDS FOR INTERNAL PURPOSES

Funds available for internal purposes consist of funds from all sources less those which are distributed as income, and so are identical with funds from adjusted sources. The comments made about these in Chapter VI apply also to funds used for internal purposes, and so there is no need for further discussion of the variable.

The U.S. Department of Commerce breaks down uses of funds into four categories. They are plant and equipment expenditures, changes in inventories, changes in current receivables, and changes in other assets. By definition, all funds available for internal use become assets.

Table CD-US111 gives data for funds by type of use. The data are estimates of the universe from 1957 to 1965. Table CD-US112 gives unexpanded results of the survey from 1963 to 1965 and for 1967 and 1968.

The most significant feature of both these series is that plant and equipment expenditures make up by far the largest portion of funds used for internal purposes, although this portion has tended to decrease somewhat over time. In 1957, 85.5 per cent of funds available for internal use were spent on assets of this type. By 1965, this proportion had dropped to 62.4 per cent. Results of the survey for 1967 and 1968 indicate that the proportion in those years was higher than in 1965.

The proportion of funds for internal purposes which was used for changes in current receivables increased from 0.8 per cent in 1957 to 15.1 per cent in 1965. However, this growth was not steady and a peak of 15.2 per cent was reported in 1963. Results of the survey indicate that the percentage was lower in both 1967 and 1968 than in 1965.

Changes in inventories fluctuated widely and erratically over the period under study. In 1957, 8.1 per cent of funds for internal purposes went to changes in inventories. This proportion fluctuated from year to year, and reached 12.4 per cent in 1965. Survey results indicate lower values in 1967 and 1968 than in 1965.

The proportion of funds for internal use which financed changes in other assets fluctuated from 5.6 per cent in 1957 to 10.1 per cent in 1965, with a peak of 21.1 per cent in 1963. Survey results indicate higher values in 1967 and 1968 than in 1965.



Generally speaking, the main trend for components of funds used internally has been a decrease in the proportion allocated to expenditures on plant and equipment, and an increase in the proportion going to increase current receivables.

#### Mining and smelting

Table CD-US113 gives data for the universe on uses of funds by Canadian mining and smelting affiliates from 1957 to 1965. Table CD-US114 gives unexpanded survey data from 1963 to 1965 and for 1967 and 1968.

Again, expenditures on plant and equipment are by far the largest use although the percentage declined during the period under study. In 1957 plant and equipment expenditures accounted for 81.9 per cent of all funds for internal use. After eight years of fluctuation this figure stood at 66.3 per cent in 1965. A peak of 99.4 per cent was registered in 1958 and a low of 54.3 per cent in 1961. Survey results indicate that the 1967 percentage was higher than in 1965, and the 1968 percentage was lower.

The percentage of funds for internal use which financed changes in inventories moved from 11.1 per cent in 1957 to 13.5 per cent in 1965. Between those years the proportion fluctuated between 16.8 per cent and minus 4.6 per cent. Survey results for 1967 and 1968 suggest decreases from the 1965 level in those two years.

Changes in current receivables showed a fluctuating pattern over time. In 1957 this item accounted for 2.5 per cent of all funds for internal use, and in 1965 for 6.0 per cent. In between, the proportion ranged from 13.2 per cent to minus 2.8 per cent. Results of the survey suggest fluctuations about the 1965 level for 1967 and 1968.

#### Petroleum

Table CD-US115 gives estimates for the universe of uses of funds by Canadian petroleum affiliates of U.S. firms from 1957 to 1965. Table CD-US116 gives unexpanded survey results from 1963 to 1965 and for 1967 and 1968.

Expenditures on plant and equipment took 83.7 per cent of the funds used internally in 1957. In 1965, they accounted for 78.3 per cent. The proportion fluctuated somewhat between these years. A peak of 99.2 per cent was reported in 1959 and a low of 60.0 per cent in 1963.





Survey results suggest that little change from 1965 occurred in either 1967 or 1968.

The other three items fluctuated considerably during the period. Changes in inventories used up 7.0 per cent of funds available for internal use in 1957, and 2.3 per cent in 1965. In between, the proportion varied from 3.8 per cent to minus 6.2 per cent. Results of the survey indicate small increases in 1967 and 1968.

Changes in current receivables also fluctuated. In 1957, 3.4 per cent of the funds available for internal use were used on them. In 1965 this figure stood at 7.8 per cent. In between, the percentage varied from 11.8 per cent to 3.1 per cent. According to the survey this fluctuation continued in 1967 and 1968.

Changes in other assets were 5.9 per cent in 1957 and 11.5 per cent in 1965. Strong fluctuations occurred in between, with the proportion ranging from minus 1.3 per cent to 26.7 per cent. Further strong fluctuations in 1967 and 1968 are indicated by the survey.

#### Manufacturing

Expanded data for the uses of funds by Canadian manufacturing affiliates of U.S. firms from 1957 to 1965 are presented in Table CD-US117. Unexpanded survey results from 1963 to 1965 and for 1967 and 1968 are given in Table CD-US118.

As with the other sectors, expenditures on plant and equipment took by far the greatest proportion of the funds available for internal use. In 1957 these expenditures accounted for 88.6 per cent of them. By 1965 the proportion had declined to 55.5 per cent. During the intervening years, the highest observation was 78.8 per cent in 1958 and the lowest was 50.1 per cent in 1959. Results of the survey suggest that in 1967 and 1968 the proportion was substantially higher than in 1965. Overall, there appears to have been a trend to lower percentages of expenditure on this item.

Changes in inventories have fluctuated considerably as a percentage of internal expenditures. The change from 8.4 per cent in 1957 to 16.0 per cent in 1965 was accompanied by fluctuations between 21.4 per cent and minus 9.6 per cent. Survey results indicate that in 1967 and 1968 two successive declines below the 1965 level were experienced.



Changes in current receivables moved over a wide range from 1957 to 1965, as a percentage of internal expenditures. From a figure of minus 2.5 per cent in 1957 the proportion rose to 20.0 per cent in 1965, with fluctuations between 20.7 and 5.2 per cent. Survey results indicate a sharp decrease in 1967 with some recovery in 1968.

In 1957, 5.5 per cent of funds for internal use were used to finance changes in other assets. In 1965, 8.6 per cent were used in this way. In between, there was a peak of 25.6 per cent in 1958, followed by a fairly steady decline. Survey results indicate higher levels than in 1965 for 1967 and 1968.

In summary, for the total of the three industrial groups, the proportion of funds for internal use which was allocated to expenditures on plant and equipment decreased during the period. Within the individual groups, this decrease was observed most strongly in mining and smelting and in manufacturing.





## IX EXPENDITURES ON PLANT AND EQUIPMENT

### Introduction

Expenditures on plant and equipment were the major use to which funds available for internal purposes were applied by Canadian affiliates of U.S. firms, as was seen in Chapter VIII. For instance, in 1968, 70 per cent of the available funds were spent for this purpose. It is not surprising that the U.S. authorities have published additional series about property, plant and equipment which give more detail. They cover the years from 1957 to 1972.

The data in the additional series differ from the overall figures given in Chapter VIII in several respects. In the first place, figures are given for 1966. Secondly, the figures from 1967 on have been expanded to give estimates for the universe, whereas the general series present only sample results for 1967 and 1968. Thirdly, the data for 1958 and 1965 contain revisions which have not been made in the more general series. Fourthly, the general series covers only three industry groups, while the more detailed series include a fourth group, other industries. Fifthly, the data from 1966 to 1972 are derived from the 1966 Census of U.S. direct investment abroad.

Before the situation in Canada is re-examined in greater detail, a look will be taken at the world-wide expenditures on plant and equipment by foreign affiliates of U.S. firms, so as to put the Canadian data into a broader perspective.

### Canada's place in the world situation

As indicated in Chapter IV, the Canadian affiliates are regarded by the U.S. authorities as part of a world-wide system. Table IX-1 below gives the regional distribution of world-wide expenditures on property, plant and equipment by majority-owned foreign affiliates of U.S. firms for selected years from 1957 to 1972. The source used for the world-wide geographical distribution in 1957 is older than the one used for the Canadian data in Table CD-US201, which will be referred to later. Consequently, the Canadian figure for 1957 differs a little from that in the main table.



TABLE IX-1

REGIONAL DISTRIBUTION OF EXPENDITURES  
ON PROPERTY, PLANT AND EQUIPMENT  
BY MAJORITY- OWNED FOREIGN AFFILIATES  
OF U.S. COMPANIES  
SELECTED YEARS FROM 1957 TO 1972

Area	1957		1964		1971		1972	
	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All areas	4,894	100.0	6,199	100.0	16,280	100.0	17,088	100.0
Canada	1,599	32.7	1,553	25.1	3,215	9.7	3,596	21.0
Latin America	1,616	33.0	1,031	16.6	1,987	12.2	2,090	12.2
E.E.C.	387	7.9	1,167	18.8	4,102	25.2	4,148	24.3
Other Europe	512	10.5	1,012	16.3	2,544	15.6	2,480	14.5
Others	780	15.9	1,436	23.2	4,432	27.2	4,774	27.9

Source 1957: "U.S. Business Investment in Foreign Countries", Survey of Current Business, Supplement, U.S. Department of Commerce, Office of Business Economics, Washington, 1960, Table 53, page 142.

1964: "Plant and Equipment Expenditures of Foreign Affiliates of U.S. Corporations, 1966-68", Survey of Current Business, U.S. Department of Commerce, Office of Business Economics, Washington, D.C., October 1967, Table 1, page 17.

and 1971 1972: "Property, Plant and Equipment Expenditures of U.S.-owned Foreign Affiliates: Revised Estimates for 1966-1972 and Projections for 1973 and 1974, Survey of Current Business, U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C., December 1973, Tables 6E and 6F, pages 28 and 29.

Expenditures by foreign affiliates of U.S. firms on plant and equipment in all areas outside the United States increased from \$US 4,894 million in 1957 to \$US 17,088 million in 1972. Over the same period, expenditures in Canada increased from \$US 1,599 million to \$US 3,596 million. They rose less rapidly than world-wide expenditures, dropping from 32.7 per cent of the total in 1957 to 21.0 per cent in 1972.



The region that contributed most to the rapid expansion in the world total was Europe, and particularly the EEC countries. Between 1957 and 1972, expenditures in EEC countries increased from \$US 387 million, or 7.9 per cent of the total, to \$US 4,148 million or 24.3 per cent of the total. In Europe as a whole in 1957, expenditures were \$US 899 million, or 18.4 per cent of the world total. By 1972, they were \$US 6,628 million, or 38.9 per cent of the world total.

Now that the expenditures in Canada have been put into perspective, they will be examined in detail.

First, the expenditures on property, plant and equipment by Canadian affiliates of U.S. firms will be studied as a whole and by industrial sector; then these expenditures will be compared to total expenditures on plant and equipment in Canada.

#### Expenditures on property, plant and equipment in Canada

The more detailed series are given from 1957 to 1972 in Table CD-US201, with a breakdown between mining and smelting; petroleum; manufacturing; and other industries. The percentage distribution between industrial groups is given in Table CD-US201A.

Expenditures on plant and equipment by Canadian affiliates of U.S. firms were \$US 1,593 million in 1957, according to the U.S. Department of Commerce. After declining to \$US 1,016 million in 1961, they rose steadily to \$US 2,482 million in 1966, remained at about that level for the next three years, and rose to \$US 3,596 million in 1972. Thus, an overall increase of just over 132 per cent during the period contained a considerable fluctuation within it.

The group with the biggest expenditures in 1957 and 1958 was petroleum, with 36.7 and 38.9 per cent of the total. It was overtaken in 1959 by manufacturing, which remained ahead for the rest of the period, ending with 40.4 per cent of the expenditures in 1972. In that year, expenditures in the petroleum sector were 22.4 per cent of the total. Mining and smelting accounted for 10.2 per cent of the total at the beginning of the period, and 20.0 per cent at the end. The highest percentage was 25.7 per cent in 1971. Other industries accounted for 17.9 per cent or less of the expenditures over the period.





Expenditures on plant and equipment in manufacturing in 1957 were \$US 561 million. They declined to \$US 389 million in 1959 and remained almost the same for the next two years. By 1966, they had risen to \$US 1,178 million, and after a decline to \$US 857 million in 1968, they reached \$US 1,452 million in 1972.

Expenditures on plant and equipment in petroleum were \$US 584 million in 1957, and fell steadily to \$US 300 million in 1962. They rose fairly steadily to \$US 662 million in 1966, stayed near that level for the next five years, and rose to \$US 804 million in 1972. Over the period as a whole, the increase was 38 per cent.

Expenditures on plant and equipment in mining and smelting moved with considerable fluctuations from \$US 163 million in 1957 to \$US 312 million in 1966. They rose to \$US 827 million in 1971, and were \$US 719 million in 1972.

Expenditures in other industries fluctuated from \$US 285 million in 1957 to \$US 622 million in 1972.

A further breakdown is available of expenditures on plant and equipment by Canadian manufacturing affiliates of U.S. firms, by four groups of manufacturing industries from 1957 to 1972. These are chemicals, machinery, transportation equipment, and other manufacturing. These data are given in Table CD-US202. Table CD-US202A gives the percentage breakdown.

The category "other manufacturing" is quite large. It accounted for 62.4 per cent of expenditures on plant and equipment in manufacturing in 1957, and although the proportion declined during the period, it was still 40.2 per cent in 1972.

Of the sectors specified, chemicals had the most capital expenditures in 1957, with \$US 95 million, or 16.9 per cent. By 1972, the dollar value was \$US 325 million, and the proportion had changed to 22.4 per cent. In between, the proportion had fluctuated from 13.4 per cent to 23.8 per cent.

Transportation equipment began the period as the smallest of the three specified sectors, with expenditures of \$US 56 million, or 10.0 per cent of the total. By 1972, it had expenditures of \$213 million or 14.7 per cent. In between, the proportion had ranged from 14.2 per cent to 25.8 per cent.

The machinery sector had expenditures of \$US 60 million in 1957, or 10.7 per cent of the total. By 1972 they were \$US 330 million, or 22.7 per cent. In between, they ranged from 8.2 per cent to 28.6 per cent.



Expenditures by the affiliates in the total Canadian pattern

Expenditures by Canadian affiliates of U.S. firms on plant and equipment make up a substantial portion of all expenditures in Canada on capital and repairs. In that part of the economy which is approximately the domestic equivalent of the industrial sectors covered by the U.S. statistics, the proportion of such expenditures attributable to the affiliates is much greater.

In order to estimate the part played by the affiliates in the total pattern of Canadian expenditures on capital and repairs, the U.S. data were first converted into Canadian dollars, using the exchange rates shown in Annex B. The expenditures on plant and equipment were then expressed as percentages of total capital and repair expenditures in Canada, as published by the Dominion Bureau of Statistics (now called Statistics Canada). The data are not necessarily strictly comparable, but the percentages obtained do give a rough guide to orders of magnitude, and to the direction in which the percentage contribution of the U.S. affiliates was moving.

As Canadian data are not available for 1972, the comparison will be made from 1957 to 1971 only.

Table IX-2 below presents the results of this first attempt to prepare an indicator. In each year from 1957 to 1971, capital expenditures by Canadian affiliates of U.S. firms were 9 to 13 per cent of the Canadian total. There was no particular trend observable in this percentage.





TABLE IX-2

CAPITAL AND REPAIR EXPENDITURES IN CANADA AND  
EXPENDITURES ON PLANT AND EQUIPMENT  
BY CANADIAN AFFILIATES OF U.S. FIRMS  
1957 - 1970

Year	Expenditures by Canadian affiliates of U.S. firms		Capital and repair expenditures in Canada	Column (2) as per cent of column (3)
	(millions of U.S. dollars)	(millions of Canadian dollars)	(millions of Canadian dollars)	(per cent)
	(1)	(2)	(3)	(4)
1957	1,593	1,527	11,341	13
1958	1,311	1,272	10,978	12
1959	1,179	1,131	11,298	10
1960	1,259	1,221	11,247	11
1961	1,016	1,029	11,193	9
1962	1,163	1,243	11,876	10
1963	1,279	1,379	12,749	11
1964	1,559	1,682	14,575	12
1965	1,847	1,991	16,792	12
1966	2,482	2,674	19,455	14
1967	2,292	2,472	20,022	12
1968	2,183	2,352	20,473	11
1969	2,508	2,701	22,190	12
1970	2,903	3,031	23,465	12
1971	3,215	3,247	26,244	12
1972	3,596	3,562		

Source: Column 1 Table CD-US201

Column 2 See Annex B for exchange rates.

Column 3

- 1957: Private and Public Investment in Canada, Outlook 1959, DBS, Ottawa, March 1959, page 11.
- 1958: Private and Public Investment in Canada, Outlook 1960, DBS, Ottawa, February 1960, page 11.
- 1959: Private and Public Investment in Canada, Outlook 1961, and Regional Estimates, DBS, Ottawa, March 1961, page 11.
- 1960: Private and Public Investment in Canada, Outlook 1962, and Regional Estimates, DBS, Ottawa, March 1962, page 11.
- 1961: Private and Public Investment in Canada, Outlook 1963, and Regional Estimates, DBS, Ottawa, March 1963, page 11.
- 1962: Private and Public Investment in Canada, Outlook 1964, and Regional Estimates, DBS, Ottawa, March 1964, page 11.
- 1963: Private and Public Investment in Canada, Outlook 1965, and Regional Estimates, DBS, Ottawa, March 1965, page 11.
- 1964: Private and Public Investment in Canada, Outlook 1966, and Regional Estimates, DBS, Ottawa, March 1966, page 11.
- 1965: Private and Public Investment in Canada, Outlook 1967, and Regional Estimates, DBS, Ottawa, March 1967, page 11.
- 1966: Private and Public Investment in Canada, Outlook 1968, and Regional Estimates, DBS, Ottawa, April 1968, page 11.
- 1967: Private and Public Investment in Canada, Outlook 1969, and Regional Estimates, DBS, Ottawa, April 1969, page 11.
- 1968: Private and Public Investment in Canada, Outlook 1970, and Regional Estimates, DBS, Ottawa, April 1970, page 11.
- 1969: Private and Public Investment in Canada, Outlook 1971, and Regional Estimates, DBS, Ottawa, April 1971, page 11.



Column 3 (continued)

1970: Private and Public Investment in Canada, Outlook 1972, and Regional Estimates, Statistics Canada, Ottawa March 1972, page 13.

1971: Private and Public Investment in Canada, Outlook 1973, and Regional Estimates, Statistics Canada, Ottawa, April 1973, page 13.

An attempt was then made to assess the significance of the affiliates covered by the U.S. surveys within those sectors of industry in which they operate. To do this, the Canadian data on capital and repair expenditures by manufacturing and by mining, quarrying and oil wells were added up. Expenditures on plant and equipment by the affiliates for the same industries were calculated by excluding "other industries". Expenditures by the affiliates were then expressed as a percentage of the Canadian total.

Table IX-3 below presents the results of this calculation. Within the industrial sectors covered by the U.S. survey, it appears that the proportion of capital expenditures in Canada which was made by affiliates of U.S. firms may well have varied from 37 to 50 per cent. As a percentage of the total, capital expenditures by the affiliates have declined over the period.



TABLE IX-3

CAPITAL AND REPAIR EXPENDITURES BY CANADIAN FIRMS  
IN MINING, QUARRYING AND OIL WELLS AND IN MANUFACTURING  
AND EXPENDITURE ON PLANT AND EQUIPMENT BY  
CANADIAN AFFILIATES OF U.S. FIRMS, 1957-1972

Year	Plant and equipment expenditures by Canadian affiliates of U.S. firms in mining and smelting, petroleum and manufacturing		Capital and repair expenditures in Canadian mining, quarrying and oil wells, and in manufacturing	Column (2) as per cent of column (3)
	(millions of U.S. dollars)	(millions of Canadian dollars)	(millions of Canadian dollars)	(per cent)
	(1)	(2)	(3)	(4)
1957	1,308	1,254	2,789	45
1958	1,086	1,054	2,108	50
1959	1,009	968	2,256	43
1960	1,034	1,003	2,362	42
1961	865	876	2,338	37
1962	1,003	1,072	2,635	41
1963	1,105	1,192	2,837	42
1964	1,374	1,482	3,537	42
1965	1,659	1,788	4,272	42
1966	2,152	2,318	5,284	44
1967	1,985	2,141	5,001	43
1968	1,839	1,982	4,842	41
1969	2,096	2,257	5,447	41
1970	2,385	2,408	6,468	37
1971	2,678	2,652	6,765	39
1972	2,975	2,965		

Source: See Table IX-2





## X FACTORS RELATED TO EXPENDITURES ON PLANT AND EQUIPMENT

In March, 1973, U.S. statisticians reported on an analysis of the financial factors which they believed to be most closely related to expenditures on plant and equipment.<sup>1/</sup> Their analysis covered the expenditures of foreign affiliates of U.S. firms from 1957 to 1971.

The world total was analyzed, also the total for each of four major geographical areas. Within each area the total for each of three major industrial groups was analyzed. These were petroleum, manufacturing, and other industries. The mining and smelting group was presumably included in other industries for this analysis.

The financial data were taken from balance of payments statements, and so the financial concepts differed in some respects from those under study in this working paper, as explained in Chapter II. The net capital inflow for direct investment was one concept used in the analysis. This is on the same lines as funds obtained from the United States, as used in this paper, but differs in important respects. Chapter II gives the details.

The U.S. authorities found that in the world as a whole there was a significant relationship at the one per cent level between net capital inflows and expenditures on plant and equipment. There was, however, no significant relationship at any level in Canada. They made the following comment on this:

It is not clear why these equations are so weak, but the geographical closeness and strong integration of the U.S. and Canadian economies have evidently resulted in more volatile capital flows and disrupted the close relationship between net capital outflows and plant and equipment spending seen in other areas. <sup>2/</sup>

The U.S. authorities further analyzed the relationship between expenditures on plant and equipment and annual changes in the direct investment position, excluding valuation adjustments. This change is equal to the sum of net capital inflows and the U.S. share of reinvested earnings. A comment has already been made on net capital inflows. The U.S. share of reinvested earnings is along the same lines as reinvested earnings as used in this working paper, but is not precisely equivalent. Chapter II explains this.

A significant relationship was found between the changes in the direct investment position and expenditures on plant and equipment by Canadian affiliates of U.S. firms. It was said of these results:

Regression coefficients for the total, manufacturing, and petroleum are all significant at the 1 per cent level. Evidently, compensating adjustments were made between capital flows and reinvested earnings in financing plant and equipment expenditures. <sup>3/</sup>



The detailed statistical results are given in Table X-4 at the end of this chapter.

An analysis was subsequently made by the Foreign Investment Division of the relationship between expenditures on plant and equipment and net capital inflow from the U.S. for direct investment, in the case of petroleum; manufacturing; mining and smelting; other industries; and the total for the four industry groups. The Canadian analysis covered the same years as the U.S. one, 1957 to 1971, but used revised figures available in September, 1973. The expenditures on plant and equipment are given in Table X-1 at the end of this chapter. Table X-2 gives net capital inflow from the U.S.

In the case of mining and smelting, there was a significant relationship at the one per cent level. In the case of petroleum and manufacturing, the study confirmed the U.S. finding that there was no significant relationship at the one per cent level. This indicates that expenditures on plant and equipment in mining and smelting are more strongly linked to inflows of new capital than are similar expenditures in petroleum and manufacturing.

A further analysis was made by the Division of the relationship between the expenditures on plant and equipment by Canadian affiliates of U.S. firms from 1957 to 1971 and the U.S. share of reinvested earnings, as used for balance of payments purposes. This relationship was established for four major industrial groups and for their total. Table X-3 gives data for the U.S. share of reinvested earnings.

In the case of mining and smelting, no significant relationship was observed. In the case of petroleum, manufacturing, and other industries, it was determined that a significant relationship existed at the one per cent level. This indicates that expenditures on plant and equipment in these industries were more strongly linked to retained earnings than were similar expenditures in mining and smelting.

The detailed statistical results are given in Table X-5 at the end of this chapter.

#### Footnotes

1/ "Plant and Equipment Expenditures of U.S.-Owned Foreign Affiliates: Revised Estimates for 1972 and 1973", Survey of Current Business, March 1973, pages 48-52.

2/ Ibid., page 51.

3/ Idem.





TABLE X-1

EXPENDITURES ON PLANT AND EQUIPMENT BY CANADIAN  
AFFILIATES OF U.S. FIRMS, BY INDUSTRIAL GROUP, 1957-1971  
(millions of U.S. dollars)

Year	Total	Mining and smelting	Petroleum	Manufacturing	Other industries
	(1)	(2)	(3)	(4)	(5)
1957	1,593	163	584	561	285
1958	1,311	172	510	404	225
1959	1,179	240	380	389	170
1960	1,259	290	360	384	225
1961	1,016	165	315	385	151
1962	1,163	245	300	458	160
1963	1,279	195	375	535	174
1964	1,559	220	385	769	185
1965	1,847	212	503	944	188
1966	2,357	297	649	1,174	237
1967	2,233	332	636	1,001	264
1968	2,128	340	669	854	265
1969	2,331	340	629	1,036	326
1970	2,731	411	726	1,160	434
1971	2,950	696	746	1,094	414

Source: 1957 to 1964: "Foreign Investments 1964-1965", Survey of Current Business, September 1965, Table 9, page 28.

1965 to 1966: "Plant and Equipment Expenditures by Foreign Affiliates of U.S. Corporations, 1969-1971", Survey of Current Business, September 1970, Table 2, page 23.

1967 to 1971: "Plant and Equipment Expenditures of U.S.-Owned Foreign Affiliates: Revised Estimates for 1972 and 1973", Survey of Current Business, March 1973, Tables 2 and 3, pages 47 and 49.



TABLE X-2

NET U.S. CAPITAL INFLOWS FOR DIRECT INVESTMENT IN CANADA  
BY INDUSTRY GROUP, 1957-1971  
(millions of dollars)

Year	Total	Mining and smelting	Petroleum	Manufacturing	Other industries
	(1)	(2)	(3)	(4)	(5)
1957	678	60	250	184	184
1958	421	78	237	72	35
1959	417	120	115	146	37
1960	451	199	135	29	88
1961	302	9	100	117	76
1962	314	85	159	12	58
1963	365	7	188	120	50
1964	298	91	25	140	42
1965	962	51	179	395	337
1966	1,153	172	155	566	260
1967	408	173	115	20	100
1968	625	195	169	26	236
1969	671	54	179	248	190
1970	908	149	291	305	163
1971	273	256	87	-53	-18

Source: 1957 to 1959: "U.S. Balance of Payments", Statistical Supplements (Revised Edition) to the Survey of Current Business, 1963, Table 50, pages 178-183.

1960 to 1964: "The International Investment Position of the United States: Developments in 1968", Survey of Current Business, October 1969, Table 8, page 30.

1965 to 1971: "U.S. Direct Investment Abroad in 1972", Survey of Current Business, September 1973, Table 7, pages 24-25.



TABLE X-3

U.S. SHARE OF UNDISTRIBUTED EARNINGS FROM U.S. DIRECT  
INVESTMENT IN CANADA, BY INDUSTRY GROUP, 1957-1971  
(millions of U.S. dollars)

Year	Total	Mining and smelting	Petroleum	Manufacturing	Other industries
	(1)	(2)	(3)	(4)	(5)
1957	357	32	67	180	78
1958	279	5	40	168	66
1959	393	32	44	240	78
1960	389	38	46	234	72
1961	284	37	51	141	55
1962	368	37	33	230	68
1963	533	48	69	335	81
1964	500	73	54	289	84
1965	540	86	66	283	106
1966	547	67	91	278	111
1967	644	82	93	344	125
1968	772	103	107	412	151
1969	937	77	95	599	166
1970	787	70	160	355	202
1971	1,074	31	249	588	206

Source: 1957 to 1960: "U.S. Balance of Payments", Statistical Supplement (Revised Edition) to the Survey of Current Business, 1963, Table 55, pages 200-207.

1961: "Expansion in U.S. Investments Abroad", Survey of Current Business, August 1962, Table 3, pages 22-23.

1962: "U.S. International Investments", Survey of Current Business, August 1963, Table 3, pages 18-19.

1963: "U.S. Direct Investments Abroad in 1970", Survey of Current Business, October 1971, Table 3, pages 27-28.

1964: "U.S. Direct Investments Abroad in 1971", Survey of Current Business, November 1972, Table 4, pages 24-25.

1965 to 1971: "U.S. Direct Investments Abroad in 1972", Survey of Current Business, September 1973, Table 7, pages 24-28.





TABLE X-4

REGRESSION EQUATIONS RELATING NET CAPITAL INFLOWS FOR DIRECT INVESTMENT AND ANNUAL CHANGE IN THE U.S. DIRECT INVESTMENT POSITION<sup>a</sup> TO PLANT AND EQUIPMENT OF U.S.-OWNED TOTAL FOREIGN AND CANADIAN AFFILIATES; ANNUAL DATA, 1957-71

	Y = a + bX Y = Net capital inflows for direct investment X = Plant and equipment expenditures					Y' = a + bX Y' = Annual change in the U.S. direct investment position <sup>a</sup> X = Plant and equipment expenditures				
	a	b	t <sub>b</sub>	R <sup>2</sup>	D.W.	a	b	t <sub>b</sub>	R <sup>2</sup>	D.W.
Total	483	0.30	10.28	0.88	1.60	820	0.49	15.56	0.95	2.37
Petroleum	66	.36	6.01	.72	1.67	9	.45	4.69	.60	1.57
Manufacturing	311	.19	5.31	.66	.95	511	.42	9.90	.87	2.15
Other industries	-36	.53	7.39	.79	1.73	269	.70	6.85	.77	1.75
Canada	204	.19	1.66	.11	1.78	151	.53	5.28	.66	1.99
Petroleum	99	.11	.96	.00	2.10	35	.40	3.69	.47	2.04
Manufacturing	-27	.24	1.71	.12	1.71	60	.54	4.64	.60	2.32
Other industries	124	.21	1.37	.06	1.39	168	.43	2.19	.21	1.13

<sup>a</sup> Excluding valuation adjustment

Note: t<sub>b</sub> is the t ratio of the regression coefficient; R<sup>2</sup> is the coefficient of determination corrected for degrees of freedom; D.W. is the Durbin-Watson statistic. The symbols \* and \*\* above the t ratios indicate that the regression coefficients are significantly different from zero at 5 percent and 1 percent confidence levels respectively. The symbols \* and \*\* above the Durbin-Watson statistic indicate that the null hypothesis of serial independence of the residuals cannot be rejected at the 1 percent or 5 percent level of significance. Tests of the Durbin-Watson statistic are based on the Theil-Nagar one-tailed testing procedure.

Source: Table and note from "Plant and Equipment Expenditures of U.S.-Owned Foreign Affiliates: Revised Estimates for 1972 and 1973", Survey of Current Business, March 1973, page 50.



TABLE X-5

REGRESSION EQUATIONS RELATING NET CAPITAL INFLOWS FOR DIRECT INVESTMENT AND U.S. SHARE OF REINVESTED EARNINGS FROM DIRECT INVESTMENT TO PLANT AND EQUIPMENT EXPENDITURES OF CANADIAN AFFILIATES; ANNUAL DATA, 1957-71

	$Y = a + bX$ $Y$ = Net capital inflows for direct investment  $X$ = Plant and equipment expenditures					$Y' = a + bX$ $Y'$ = U.S. share in reinvested earnings for direct investment  $X$ = Plant and equipment expenditures				
	a	b	$t_b$	$R^2$	D.W.	a	b	$t_b$	$R^2$	D.W.
<u>Canada</u>	192	0.20	1.8	0.14	1.79	-54	0.34	6.8	0.76	1.55
Mining and smelting	-8	.42	4.3	.55	2.05	46	.03	0.5	-.06	.63
Petroleum	83	.15	1.3	.05	2.10	-62	.28	4.5	.57	.69
Manufacturing	-25	.24	1.8	.14	1.71	88	.30	3.4	.42	1.70
Other industries	102	.08	0.3	.07	1.40	-15	.51	7.3	.79	.87

Note: The note appended to Table X-1 applies.

Source: Tables X-1, X-2 and X-3.





## ANNEX A

SOURCES AND USES OF FUNDS OF CANADIAN AFFILIATES OF U.S. FIRMS  
AS REPORTED BY U.S. SOURCES, SELECTED YEARS FROM  
1957-1968

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## ANNEX A

Introduction

Except for the two series on capital and repair expenditures by all firms in Canada, the data in these tables have been taken from the Survey of Current Business, which is published by the U.S. Department of Commerce. Annex C gives a list of the articles concerned. Each table lists the sources used when compiling it.

The main statistical tables are numbered in accordance with a general system used in reports by the Foreign Investment Division. Each of them is identified by a reference which consists of the letters CD-US and three figures. The letters CD indicate that the series deal with foreign investment in Canada. The hyphen followed by the second block of letters US indicate that the data are from United States sources. The three figures are serial numbers within a subject group. The 100 block indicates tables on sources and uses of funds. The 200 block indicates tables about expenditures on plant and equipment.

Some of the main tables are followed by subsidiary tables which are based on them. These are identified by the reference number of the appropriate main table with a letter added at the end. For instance, Table CD-US201A gives the percentage distribution of the data given in dollars in Table CD-US201.





TABLE CD-US101

SOURCES OF FUNDS OF CANADIAN MINING AND SMELTING, PETROLEUM, AND MANUFACTURING AFFILIATES OF U.S. FIRMS, 1957-1965, ESTIMATE OF UNIVERSE

Year	Funds from all sources	Income paid out	Funds from adjusted sources <u>1/</u>		Retained <u>2/</u> earnings		Depreciation and depletion		Funds from the U.S.		Funds from countries other than the U.S.		Other sources <u>3/</u> and adjustments	
	millions of U.S. dollars (1)	millions of U.S. dollars (2)	millions of U.S. dollars (3)	per cent (4)	millions of U.S. dollars (5)	per cent (6)	millions of U.S. dollars (7)	per cent (8)	millions of U.S. dollars (9)	per cent (10)	millions of U.S. dollars (11)	per cent (12)	millions of U.S. dollars (13)	per cent (14)
1957	1,863	333	1,530	100.0	329	21.5	487	31.8	480	31.4	234	15.3	-	-
1958	1,707	344	1,363	100.0	197	14.5	508	37.3	423	31.0	235	17.2	-	-
1959	1,845	352	1,493	100.0	359	24.0	556	37.2	376	25.2	202	13.5	-	-
1960	1,737	390	1,347	100.0	396	29.4	602	44.7	371	27.5	-22	-1.6	-	-
1961	1,852	488	1,364	100.0	272	19.9	637	46.7	235	17.2	220	16.1	-	-
1962	2,106	505	1,601	100.0	400	25.0	680	42.5	201	12.6	320	20.0	-	-
1963	2,338	411	1,927	100.0	644	33.4	759	39.4	192	10.0	322	16.7	10	0.5
1964	2,576	572	2,004	100.0	651	32.5	752	37.5	125	6.2	388	19.4	88	4.4
1965	3,398	640	2,758	100.0	610	22.1	842	30.5	633	23.0	581	21.1	92	3.3

1/ - Funds from all sources minus income paid out.

2/ - Net income minus income paid out.

3/ - This item reflects funds obtained through the sale of fixed assets, changes in certain reserve accounts, valuation adjustments, and residual entries unidentified by reporters.

Source: 1957: "Capital Outlays Abroad by U.S. Companies: Rising Plant Expansion in Manufacturing", Survey of Current Business, Oct. 1960, U.S. Dept. of Commerce, Office of Business Economics, Washington, D.C., Table 4, page 23.

1958-1959: "Foreign Capital Outlays and Sales of U.S. Companies", Survey of Current Business, Sept. 1961, U.S. Dept. of Commerce, Office of Business Economics, Washington, D.C., Table 5, page 22.

1960-1961: "Foreign Operations of U.S. Industry," Survey of Current Business, Oct. 1963, U.S. Dept. of Commerce, Office of Business Economics, Washington, D.C., Table 5, page 18.

(Source continued on next page).



Source: 1962: "Financing and Sales of Foreign Affiliates of U.S. Firms," Survey of Current Business, Nov. 1965, U.S. Dept. of Commerce, Office of Business Economics, Washington, D.C., Table 1, page 15.

1963-1965: "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms, 1965," Survey of Current Business, Jan. 1967, U.S. Dept. of Commerce, Office of Business Economics, Washington, D.C., Table 1, page 28.

Foreign Investment Division





TABLE CD-US102

SOURCES OF FUNDS OF CANADIAN MINING AND SMELTING, PETROLEUM,  
AND MANUFACTURING AFFILIATES OF U.S. FIRMS, 1963-1965 AND 1967-1968, RESULTS OF SURVEY

Year	Funds from all sources millions of U.S. dollars (1)	Income paid out		Funds from 1/ adjusted sources		Retained 2/ earnings		Depreciation and depletion		Funds from the U.S.		Funds from countries other than the U.S.		Other sources 3/ and adjustments	
		millions of U.S. dollars (2)	per cent (3)	millions of U.S. dollars (4)	per cent (5)	millions of U.S. dollars (6)	per cent (7)	millions of U.S. dollars (8)	per cent (9)	millions of U.S. dollars (10)	per cent (11)	millions of U.S. dollars (12)	per cent (13)	millions of U.S. dollars (14)	per cent (15)
1963	1,666	339	100.0	1,327	336	25.3	552	41.6	168	12.7	241	18.2	29	2.2	
1964	2,038	366	100.0	1,672	497	29.7	623	37.3	156	9.3	307	18.4	88	5.3	
1965	2,656	479	100.0	2,177	373	17.1	681	31.3	551	25.3	497	22.8	75	3.5	
1967	2,527	481	100.0	2,046	444	21.7	800	39.1	242	11.8	423	20.7	138	6.7	
1968	2,611	498	100.0	2,113	529	25.0	864	40.9	127	6.0	539	25.5	53	2.5	

Note: Figures may not add due to rounding.

1/ - Funds from all sources minus income paid out.

2/ - Net income minus income paid out.

3/ - This item reflects funds obtained through the sale of fixed assets, changes in certain reserve accounts, valuation adjustments, and residual entries unidentified by reporters.

Source: "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms 1967-68, "Survey of Current Business, Nov. 1970, U.S. Dept. of Commerce, Office of Business Economics, Washington, D.C., Table 2, pages 16-17.



TABLE CD-US103

INDUSTRIAL DISTRIBUTION OF FUNDS FROM ALL SOURCES FOR CANADIAN  
AFFILIATES OF U.S. FIRMS, 1957-1965, ESTIMATE OF UNIVERSE

Year	Total		Mining and Smelting		Petroleum		Manufacturing	
	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1957	1,863	100.0	269	14.4	764	41.0	830	44.6
1958	1,707	100.0	225	13.2	591	34.6	891	52.2
1959	1,845	100.0	395	21.4	441	23.9	1,009	54.7
1960	1,737	100.0	447	25.7	549	31.6	741	42.7
1961	1,852	100.0	390	21.1	535	28.9	927	50.1
1962	2,106	100.0	389	18.5	570	27.1	1,147	54.5
1963	2,338	100.0	347	14.8	743	31.8	1,248	53.4
1964	2,576	100.0	504	19.6	603	23.4	1,469	57.0
1965	3,398	100.0	564	16.6	782	23.0	2,052	60.4

Source: 1957: "Capital Outlays Abroad by U.S. Companies: Rising Plant Expansion in Manufacturing", Survey of Current Business, October 1960, U.S. Dept. of Commerce, Office of Business Economics, Washington, D.C. Table 4, page 23.

1958-1959: "Foreign Capital Outlays and Sales of U.S. Companies", Survey of Current Business, September 1961, U.S. Dept. of Commerce, Office of Business Economics, Washington, D.C., Table 5, page 22.

1960-1961: "Foreign Operations of U.S. Industry", Survey of Current Business, October 1963, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C., Table 5, page 18.

1962: "Financing and Sales of Foreign Affiliates of U.S. Firms", Survey of Current Business, November 1965, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C. Table 1, page 15.

1963-1965: "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms, 1965", Survey of Current Business, January 1967, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C., Table 1, page 28.



TABLE CD-US104

INDUSTRIAL DISTRIBUTION OF FUNDS OF CANADIAN AFFILIATES  
OF U.S. FIRMS, 1963 - 1965 AND 1967 - 1968,  
RESULTS OF SURVEY

Year	Total		Mining & Smelting		Petroleum		Manufacturing	
	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1963	1,666	100.0	333	20.0	571	34.3	762	45.7
1964	2,038	100.0	450	22.1	506	24.8	1,083	53.1
1965	2,656	100.0	445	16.8	651	24.5	1,560	58.7
1967	2,527	100.0	418	16.5	794	31.4	1,316	52.1
1968	2,611	100.0	737	28.2	723	27.7	1,151	44.1

Source: "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms  
1967 - 1968, "Survey of Current Business, November 1970, U.S.  
Dept. of Commerce, Office of Business Economics, Washington D.C.  
Table 2, pages 16 - 17.





TABLE CD-US105

SOURCES OF FUNDS OF CANADIAN MINING AND SMELTING AFFILIATES OF U.S. FIRMS,  
1957-1965, ESTIMATE OF UNIVERSE

Year	Funds from all Sources	Income paid out		Funds from adjusted sources <u>1/</u>		Retained earnings <u>2/</u>		Depreciation and depletion		Funds from the U.S.		Funds from countries other than the U.S.		Other sources <u>3/</u> and adjustments	
		millions of U.S. dollars	(2)	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent
	(1)		(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1957	269		70	199	100.0	47	23.6	64	32.2	77	38.7	11	5.5	-	-
1958	225		59	166	100.0	3	1.8	50	30.1	78	47.0	35	21.1	-	-
1959	395		61	334	100.0	51	15.3	67	20.1	121	36.2	95	28.4	-	-
1960	447		84	363	100.0	73	20.1	75	20.7	202	55.6	13	3.6	-	-
1961	390		86	304	100.0	75	24.7	80	26.3	9	3.0	140	46.1	-	-
1962	389		98	291	100.0	81	27.8	100	34.4	95	32.6	15	5.2	-	-
1963	347		85	262	100.0	102	38.9	114	43.5	-24	-9.2	80	30.5	-10	-3.8
1964	504		164	340	100.0	144	42.4	116	34.1	14	4.1	56	16.5	10	2.9
1965	564		164	400	100.0	156	39.0	122	30.5	32	8.0	80	20.0	10	2.5

Note: Figures may not add due to rounding.

1/ - Funds from all sources minus income paid out.

2/ - Net income minus income paid out.

3/ - This item reflects funds obtained through the sale of fixed assets, changes in certain reserve accounts, valuation adjustments, and residual entries unidentified by reporters.

(Source continued on next page).



Source: 1957: "Capital Outlays Abroad by U.S. Companies: Rising Plant Expansion in Manufacturing," Survey of Current Business, Oct. 1960, U.S. Dept. of Commerce, Office of Business Economics, Washington, D.C., Table 4, page 23.

1958-1959: "Foreign Capital Outlays and Sales of U.S. Companies," Survey of Current Business, Sept. 1961, U. S. Department of Commerce, Office of Business Economics, Washington, D.C., Table 5, page 22.

1960-1961: "Foreign Operations of U.S. Industry," Survey of Current Business, Oct. 1963, U.S. Dept. of Commerce, Office of Business Economics, Washington, D.C., Table 5, page 18.

1962: "Financing and Sales of Foreign Affiliates of U.S. Firms," Survey of Current Business, Nov. 1965, U.S. Dept. of Commerce, Office of Business Economics, Washington, D.C., Table 1, page 15.

1963-1965: "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms, 1965," Survey of Current Business, Jan. 1967, U.S. Dept. of Commerce, Office of Business Economics, Washington, D.C., Table 1, page 28.





TABLE CD-US106  
SOURCES OF FUNDS OF CANADIAN MINING AND SMELTING AFFILIATES OF U.S. FIRMS,  
1963-1965 AND 1967-1968, RESULTS OF SURVEY

Year	Funds from all Sources	Income paid out	Funds from adjusted <sup>1/</sup> sources		Retained <sup>2/</sup> earnings		Depreciation and depletion		Funds from the U.S.		Funds from countries other than the U.S.		Other sources <sup>3/</sup> and adjustments	
			millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1963	333	97	236	100.0	64	27.1	95	40.3	9	3.8	73	30.9	-5	-2.1
1964	450	132	318	100.0	97	30.5	102	32.1	51	16.0	57	17.9	10	3.1
1965	445	132	313	100.0	109	34.8	105	33.5	16	5.1	75	24.0	8	2.6
1967	418	159	259	100.0	124	47.9	115	44.4	-36	-13.9	19	7.3	38	14.7
1968	737	170	567	100.0	149	26.3	127	22.4	114	20.1	166	29.3	11	1.9

NOTE: Figures may not add due to rounding.

<sup>1/</sup> - Funds from all sources minus income paid out.

<sup>2/</sup> - Net income minus income paid out.

<sup>3/</sup> - This item reflects funds obtained through the sale of fixed assets, changes in certain reserve accounts, valuation adjustments, and residual entries unidentified by reporters.

Source: "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms 1967-68," Survey of Current Business, Nov. 1970, U.S. Dept. of Commerce, Office of Business Economics, Washington, D.C., Table 2, pages 16-17.



TABLE CD-US107

## SOURCES OF FUNDS OF CANADIAN PETROLEUM AFFILIATES OF U.S. FIRMS, 1957-1965, ESTIMATE OF UNIVERSE

Year	Funds from all Sources	Income paid out	Funds from adjusted <sup>1/</sup> sources		Retained earnings <sup>2/</sup>		Depreciation and depletion		Funds from the U.S.		Funds from countries other than the U.S.		Other sources <sup>3/</sup> and adjustments	
			millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1957	764	66	698	100.0	84	12.0	170	24.4	213	30.5	231	33.1	-	-
1958	591	70	521	100.0	6	1.2	178	34.2	234	44.9	103	19.8	-	-
1959	441	58	383	100.0	41	10.7	189	49.3	112	29.2	41	10.7	-	-
1960	549	99	450	100.0	60	13.3	207	46.0	138	30.7	45	10.0	-	-
1961	535	122	413	100.0	77	18.6	217	52.5	99	24.0	20	4.8	-	-
1962	570	148	422	100.0	51	12.1	210	49.8	77	18.2	84	19.9	-	-
1963	743	118	625	100.0	127	20.3	250	40.0	148	23.7	90	14.4	10	1.6
1964	603	130	473	100.0	118	24.9	200	42.3	37	7.8	102	21.6	16	3.4
1965	782	140	642	100.0	85	13.2	237	36.9	223	34.7	60	9.3	37	5.8

<sup>1/</sup> - Funds from all sources minus income paid out.<sup>2/</sup> - Net income minus income paid out.<sup>3/</sup> - This item reflects funds obtained through the sale of fixed assets, changes in certain reserve accounts, valuation adjustments, and residual entries unidentified by reporters.

Source: 1957: "Capital Outlays Abroad by U.S. Companies: Rising Plant Expansion in Manufacturing," Survey of Current Business, Oct. 1960, U.S. Dept. of Commerce, Office of Business Economics, Washington, D.C., Table 4, page 23.



- 1958-1959: "Foreign Capital Outlays and Sales of U.S. Companies," Survey of Current Business, Sept. 1961, U.S. Dept. of Commerce, Office of Business Economics, Washington, D.C., Table 5, page 22.
- 1960-1961: "Foreign Operations of U.S. Industry," Survey of Current Business, Oct. 1963, U.S. Dept. of Commerce, Office of Business Economics, Washington, D.C., Table 5, page 18.
- 1962: "Financing and Sales of Foreign Affiliates of U.S. Firms," Survey of Current Business, Nov. 1965, U.S. Dept. of Commerce, Office of Business Economics, Washington, D.C., Table 1, page 15.
- 1963-1965: "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms, 1965," Survey of Current Business, Jan. 1967, U.S. Dept. of Commerce, Office of Business Economics, Washington, D.C., Table 1, page 28.

Foreign Investment Division





SOURCES OF FUNDS OF CANADIAN PETROLEUM AFFILIATES OF U.S. FIRMS, 1963-1965 AND 1967-1968  
RESULTS OF SURVEY

Year	Funds from all Sources	Income paid out	Funds from adjusted sources <u>1/</u>		Retained earnings <u>2/</u>		Depreciation and depletion		Funds from the U.S.		Funds from countries other than the U.S.		<u>3/</u> Other sources and adjustments	
			millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1963	571	78	493	100.0	73	14.8	209	42.4	91	18.5	90	18.3	30	6.1
1964	506	84	422	100.0	100	23.7	192	45.5	48	11.4	65	15.4	17	4.0
1965	651	90	561	100.0	72	12.8	214	38.1	219	39.0	22	3.9	32	5.7
1967	794	107	687	100.0	115	16.7	231	33.6	98	14.3	206	30.0	36	5.2
1968	723	103	620	100.0	107	17.3	230	37.1	53	8.5	212	34.2	17	2.7

NOTE: Figures may not add due to rounding.

1/ - Funds from all sources minus income paid out.

2/ - Net income minus income paid out.

3/ - This item reflects funds obtained through the sale of fixed assets, changes in certain reserve accounts, valuation adjustments, and residual entries unidentified by reporters.

Source: "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms 1967-68," Survey of Current Business, Nov. 1970, U.S. Dept. of Commerce, Office of Business Economics, Washington, D.C., Table 2, pages 16-17.

Foreign Investment Division



TABLE CD-US 109

SOURCES OF FUNDS OF CANADIAN MANUFACTURING AFFILIATES  
OF U.S. FIRMS, 1957-1965, ESTIMATE OF UNIVERSE

Year	Funds from all sources	Income paid out	Funds from adjusted <sup>1/</sup> sources		Retained <sup>2/</sup> earnings		Depreciation and depletion		Funds from the U.S.		Funds from countries other than the U.S.		Other sources <sup>3/</sup> and adjustments	
			millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1957	830	197	633	100.0	198	31.3	253	40.0	190	30.0	-8	-1.3	-	
1958	891	215	676	100.0	188	27.8	280	41.4	111	16.4	97	14.3	-	
1959	1009	233	776	100.0	267	34.4	300	38.7	143	18.4	66	8.5	-	
1960	741	207	534	100.0	263	49.3	320	59.9	31	5.8	-80	-15.0	-	
1961	927	280	647	100.0	120	18.5	340	52.6	127	19.6	60	9.3	-	
1962	1147	259	888	100.0	268	30.2	370	41.7	29	3.3	221	24.9	-	1.0
1963	1248	208	1040	100.0	415	39.9	395	38.0	68	6.5	152	14.6	10	5.2
1964	1469	278	1191	100.0	389	32.7	436	36.6	74	6.2	230	19.3	62	
1965	2052	336	1716	100.0	369	21.5	483	28.1	378	22.0	441	25.7	45	2.6

<sup>1/</sup> - Funds from all sources minus income paid out.

<sup>2/</sup> - Net income minus income paid out.

<sup>3/</sup> - This item reflects funds obtained through the sale of fixed assets, changes in certain reserve accounts, valuation adjustments, and residual entries unidentified by reporters.

(Source on next page)





- Source: 1957: "Capital Outlays Abroad by U.S. Companies: Rising Plant Expansion in Manufacturing", Survey of Current Business, Oct. 1960, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C., Table 4, page 23.
- 1958-1959 "Foreign Capital Outlays and Sales of U.S. Companies", Survey of Current Business, Sept. 1961, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C., Table 5, page 22.
- 1960-1961: "Foreign Operations of U.S. Industry, "Survey of Current Business, Oct. 1963, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C., Table 5, page 18.
- 1962: "Financing and Sales of Foreign Affiliates of U.S. Firms," Survey of Current Business, Nov. 1965, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C., Table 1, page 15.
- 1963-1965: "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms, 1965," Survey of Current Business, Jan. 1967, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C., Table 1, page 28.



TABLE CD-US 110

SOURCES OF FUNDS OF CANADIAN MANUFACTURING AFFILIATES OF U.S. FIRMS  
1963-1965 AND 1967-1968, RESULTS OF SURVEY

Year	Funds from all sources		Income paid out		Funds from adjusted sources <u>1/</u>		Retained <u>2/</u> earnings		Depreciation and depletion		Funds from the U.S.		Funds from countries other than the U.S.		Other sources <u>3/</u> and adjustments	
	millions of U.S. dollars	(1)	millions of U.S. dollars	(2)	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent
		(1)		(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1963	762		165		597	100.0	199	33.3	248	41.5	68	11.4	78	13.1	4	0.7
1964	1083		151		932	100.0	300	32.2	330	35.4	57	6.1	185	19.8	61	6.5
1965	1560		257		1303	100.0	192	14.7	361	27.7	316	24.3	400	30.7	34	2.6
1967	1316		215		1101	100.0	205	18.6	454	41.2	181	16.4	198	18.0	64	5.8
1968	1151		226		925	100.0	272	29.4	507	54.8	-40	-4.3	161	17.4	25	2.7

1/ - Funds from all sources minus income paid out.

2/ - Net income minus income paid out.

3/ - This item reflects funds obtained through the sale of fixed assets, changes in certain reserve accounts, valuation adjustments, and residual entries unidentified by reporters.

Source: "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms 1967-68", Survey of Current Business, Nov. 1970, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C., Table 2, pages 16-17.

Foreign Investment Division.



TABLE CD-US111

USES OF FUNDS OF CANADIAN MINING AND SMELTING, PETROLEUM AND  
MANUFACTURING AFFILIATES OF U.S. FIRMS 1957-1965, ESTIMATE OF UNIVERSE.

Year	Funds for all uses millions of U.S. dollars	Income paid out millions of U.S. dollars	Funds for $\frac{1}{2}$ internal use		Plant and equipment expenditures		Change in inventories		Change in current receivables		Change in other assets	
			millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1957	1,863	333	1,530	100.0	1,308	85.5	124	8.1	13	0.8	85	5.6
1958	1,707	344	1,363	100.0	1,128	82.8	-92	-6.7	92	6.7	235	17.2
1959	1,845	352	1,493	100.0	1,009	67.6	164	11.0	118	7.9	202	13.5
1960	1,737	390	1,347	100.0	1,034	76.8	93	6.9	60	4.5	160	11.3
1961	1,852	488	1,364	100.0	865	63.4	121	8.9	204	15.0	174	12.8
1962	2,106	505	1,601	100.0	1,003	62.7	215	13.4	175	10.9	208	13.0
1963	2,338	411	1,927	100.0	1,105	57.3	122	6.3	293	15.2	407	21.1
1964	2,576	572	2,004	100.0	1,376	68.7	233	11.6	183	9.1	212	10.6
1965	3,398	640	2,758	100.0	1,720	62.4	343	12.4	417	15.1	278	10.1

$\frac{1}{2}$  Funds for all uses minus income paid out.

(Source on next page)





- Source:                    1957    "Capital Outlays Abroad by U.S. Companies: Rising Plant Expansion in Manufacturing" Survey of Current Business, Oct. 1960, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C., Table 4, page 23.
- 1958-1959    "Foreign Capital Outlays and Sales of U.S. Companies", Survey of Current Business, Sept. 1961, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C., Table 5, page 22.
- 1960-1961    "Foreign Operations of U.S. Industry," Survey of Current Business, Oct. 1963, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C., Table 5, page 18.
- 1962    Financing and Sales of Foreign Affiliates of U.S. Firms," Survey of Current Business, Nov. 1965, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C., Table 1, page 15.
- 1963-1965    "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms, 1965," Survey of Current Business, Jan. 1967, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C., Table 1, page 28.



TABLE CD-US112

USES OF FUNDS BY CANADIAN MINING AND SMELTING, PETROLEUM, AND  
MANUFACTURING AFFILIATES OF U.S. FIRMS, 1963-1965 AND 1967-1968  
RESULTS OF SURVEY

Year	Funds for all uses millions of U.S. dollars	Income paid out millions of U.S. dollars	Funds for <sup>1/</sup> internal use		Plant and equipment expenditures		Change in inventories		Change in current receivables		Change in other assets	
			millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1963	1,666	339	1,327	100.0	958	72.2	51	3.8	167	12.6	151	11.4
1964	2,038	366	1,672	100.0	1,185	70.9	165	9.9	146	8.7	176	10.5
1965	2,656	479	2,177	100.0	1,394	64.0	284	13.0	316	14.5	182	8.4
1967	2,527	481	2,046	100.0	1,612	78.8	135	6.6	109	5.3	189	9.2
1968	2,611	498	2,113	100.0	1,479	70.0	81	3.8	203	9.6	348	16.5

<sup>1/</sup> Funds for all uses minus income paid out.

Source: "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms 1967-1968," Survey of Current Business, Nov. 1970, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C., Table 2, pages 16-17.





TABLE CD-US113

USES OF FUNDS BY CANADIAN MINING AND SMELTING AFFILIATES  
OF U.S. FIRMS, 1957 - 1965, ESTIMATE OF UNIVERSE

Year	Funds for all uses	Income paid out	Funds for <sup>1/</sup> internal use		Plant and equipment expenditures		Change in inventories		Change in current receivables		Change in other assets	
	millions of U.S. dollars	millions of U.S. dollars	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1957	269	70	199	100.0	163	81.9	22	11.1	5	2.5	9	4.5
1958	225	59	166	100.0	165	99.4	-5	-3.0	1	0.6	5	3.0
1959	395	61	334	100.0	240	71.8	18	5.4	26	7.8	50	15.0
1960	447	84	363	100.0	290	79.9	58	16.0	-10	-2.8	25	6.9
1961	390	86	304	100.0	165	54.3	51	16.8	40	13.2	48	15.8
1962	389	98	291	100.0	245	84.2	20	6.9	0	-	26	8.9
1963	347	85	262	100.0	195	74.4	-12	-4.6	19	7.3	60	22.9
1964	504	164	340	100.0	220	64.7	-15	-4.4	39	11.5	96	28.2
1965	564	164	400	100.0	265	66.3	54	13.5	24	6.0	57	14.3

<sup>1/</sup> Funds for all uses minus income paid out.

(Source on next page)



- Source: 1957: "Capital Outlays Abroad by U.S. Companies: Rising Plant Expansion in Manufacturing", Survey of Current Business, Oct. 1960, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C., Table 4, page 23.
- 1958-1959: "Foreign Capital Outlays and Sales of U.S. Companies", Survey of Current Business, Sept. 1961, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C., Table 5, page 22.
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- 1962: "Financing and Sales of Foreign Affiliates of U.S. Firms," Survey of Current Business, Nov. 1965, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C., Table 1, page 15.
- 1963-1965: "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms, 1965," Survey of Current Business, Jan. 1967, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C., Table 1, page 28.



TABLE CD-US114

USES OF FUNDS BY CANADIAN MINING AND SMELTING AFFILIATES OF  
U.S. FIRMS, 1963-1965 AND 1967-1968, RESULTS OF SURVEY

Year	Funds for all uses millions of U.S. dollars	Income paid out millions of U.S. dollars	Funds for <u>1/</u> internal use		Plant and equipment expenditures		Change in inventories		Change in current receivables		Change in other assets	
			millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1963	333	97	236	100.0	181	76.7	-10	-4.2	12	5.1	53	22.5
1964	450	132	318	100.0	231	72.6	-17	-5.3	22	6.9	82	25.8
1965	445	132	313	100.0	212	67.7	43	13.7	16	5.1	43	13.7
1967	418	159	259	100.0	279	107.7	26	10.0	17	6.6	-63	-24.3
1968	737	170	567	100.0	322	56.7	14	2.5	18	3.2	214	37.7

1/ Funds for all uses minus income paid out.

Source: "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms 1967-68," Survey of Current Business, Nov. 1970, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C., Table 2, pages 16-17.





TABLE CD-US 115

USES OF FUNDS BY CANADIAN PETROLEUM AFFILIATES OF U.S. FIRMS,  
1957-1965, ESTIMATE OF UNIVERSE.

Year	Funds for all uses	Income paid out	Funds for $\frac{1}{2}$ internal use		Plant and equipment expenditures		Change in inventories		Change in current receivables		Change in other assets	
	millions of U.S. dollars	millions of U.S. dollars	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1957	764	66	698	100.0	584	83.7	49	7.0	24	3.4	41	5.9
1958	591	70	521	100.0	430	82.5	-22	-4.2	56	10.7	57	10.9
1959	441	58	383	100.0	380	99.2	-4	-1.0	12	3.1	-5	-1.3
1960	549	99	450	100.0	360	80.0	5	1.1	25	5.6	60	13.3
1961	535	122	413	100.0	315	76.3	10	2.4	42	10.2	46	11.1
1962	570	148	422	100.0	300	71.1	5	1.2	45	10.7	72	17.1
1963	743	118	625	100.0	375	60.0	24	3.8	59	9.4	167	26.7
1964	603	130	473	100.0	385	81.4	5	1.1	56	11.8	27	5.7
1965	782	140	642	100.0	503	78.3	15	2.3	50	7.8	74	11.5

$\frac{1}{2}$  Funds for all uses minus income paid out.

Source: 1957: "Capital Outlays Abroad by U.S. Companies: Rising Plant Expansion in Manufacturing". Survey of Current Business, Oct. 1960, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C., Table 4, page 23.

1958-1959: "Foreign Capital Outlays and Sales of U.S. Companies", Survey of Current Business, Sept. 1961, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C., Table 5, page 22.

(Source continued on next page).



- Source: 1960-1961: "Foreign Operations of U.S. Industry," Survey of Current Business, Oct. 1963, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C., Table 5, page 18.
- 1962: "Financing and Sales of Foreign Affiliates of U.S. Firms," Survey of Current Business, Nov. 1965, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C., Table 1, page 15.
- 1963-1965: "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms, 1965," Survey of Current Business, Jan. 1967, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C., Table 1, page 28.



TABLE CD-US116

USES OF FUNDS BY CANADIAN PETROLEUM AFFILIATES OF U.S. FIRMS,  
1963-1965 AND 1967-1968, RESULTS OF SURVEY

Year	Funds for all uses millions of U.S. dollars (1)	Income paid out millions of U.S. dollars (2)	Funds for internal use		Plant and equipment expenditures		Change in inventories		Change in current receivables		Change in other assets	
			millions of U.S. dollars (3)	per cent (4)	millions of U.S. dollars (5)	per cent (6)	millions of U.S. dollars (7)	per cent (8)	millions of U.S. dollars (9)	per cent (10)	millions of U.S. dollars (11)	per cent (12)
1963	571	78	493	100.0	433	87.8	12	2.4	32	6.5	17	3.4
1964	506	84	422	100.0	362	85.8	1	0.2	44	10.4	15	3.6
1965	651	90	561	100.0	471	84.0	12	2.1	41	7.3	36	6.4
1967	794	107	687	100.0	546	79.5	20	2.9	46	6.7	75	10.9
1968	723	103	620	100.0	538	86.8	22	3.5	79	12.7	-19	-3.1

Note: Figures may not add due to rounding.

1/ Funds for all uses minus income paid out.

Source: "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms, 1967-68" Survey of Current Business, Nov. 1970, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C., Table 2, pages 16-17.





TABLE CD-US 117

USES OF FUNDS BY CANADIAN MANUFACTURING AFFILIATES OF U.S. FIRMS,  
1957-1965, ESTIMATE OF UNIVERSE.

Year	Funds for all uses		Income paid out		Funds for <u>1</u> / internal use		Plant and equipment expenditures		Change in inventories		Change in current receivables		Change in other assets	
	millions of U.S. dollars	(1)	millions of U.S. dollars	(2)	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent	millions of U.S. dollars	per cent
1957	830		197		633	100.0	561	88.6	53	8.4	-16	-2.5	35	5.5
1958	891		215		676	100.0	533	78.8	-65	-9.6	35	5.2	173	25.6
1959	1009		233		776	100.0	389	50.1	150	19.3	80	10.3	157	20.2
1960	741		207		534	100.0	384	71.9	30	5.6	45	8.4	75	14.0
1961	927		280		647	100.0	385	59.5	60	9.3	122	18.9	80	12.4
1962	1147		259		888	100.0	458	51.6	190	21.4	130	14.6	110	12.4
1963	1248		208		1040	100.0	535	51.4	110	10.6	215	20.7	180	17.3
1964	1469		278		1191	100.0	771	64.7	243	20.4	88	7.4	89	7.5
1965	2052		336		1716	100.0	952	55.5	274	16.0	343	20.0	147	8.6

1/ Funds for all uses minus income paid out.

Source: 1957: "Capital Outlays Abroad by U.S. Companies: Rising Plant Expansion in Manufacturing", Survey of Current Business, Oct. 1960, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C., Table 4, page 23.

(Source continued on next page)



- Source: 1958-1959: "Foreign Capital Outlays and Sales of U.S. Companies", Survey of Current Business, Sept. 1961, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C., Table 5, page 22.
- 1960-1961: "Foreign Operations of U.S. Industry," Survey of Current Business, Oct. 1963, U.S. Dept. of Commerce, Business Economics, Washington D.C., Table 5, page 18.
- 1962: "Financing and Sales of Foreign Affiliates of U.S. Firms," Survey of Current Business, Nov. 1965, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C., Table 1, page 15.
- 1963-1965: "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms, 1965," Survey of Current Business, Jan. 1967, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C., Table 1, page 28.



TABLE CD-US118

USES OF FUNDS BY CANADIAN MANUFACTURING AFFILIATES OF U.S. FIRMS,  
1963-1965 AND 1967-1968, RESULTS OF SURVEY

Year	Funds for all uses millions of U.S. dollars (1)	Income paid out millions of U.S. dollars (2)	Funds for $\frac{1}{2}$ internal use		Plant and equipment expenditures		Change in inventories		Change in current receivables		Change in other assets	
			millions of U.S. dollars (3)	per cent (4)	millions of U.S. dollars (5)	per cent (6)	millions of U.S. dollars (7)	per cent (8)	millions of U.S. dollars (9)	per cent (10)	millions of U.S. dollars (11)	per cent (12)
1963	762	165	597	100.0	344	57.6	49	8.2	123	20.6	81	13.6
1964	1083	151	932	100.0	593	63.6	181	19.4	80	8.6	78	8.4
1965	1560	257	1303	100.0	712	54.6	230	17.7	259	19.9	103	7.9
1967	1316	215	1101	100.0	788	71.6	89	8.1	46	4.2	178	16.2
1968	1151	226	925	100.0	619	66.9	46	5.0	107	11.6	154	16.6

Note: Figures may not add due to rounding.

$\frac{1}{2}$  Funds for all uses minus income paid out.

Source: "Sources and Uses of Funds of Foreign Affiliates of U.S. Firms 1967-68," Survey of Current Business, Nov. 1970, U.S. Dept. of Commerce, Office of Business Economics, Washington D.C., Table 2, pages 16-17.





TABLE CD-US201

EXPENDITURES ON PLANT AND EQUIPMENT BY CANADIAN AFFILIATES  
OF U.S. FIRMS, BY INDUSTRY GROUP, 1957-1972  
(millions of U.S. dollars)

Year	Total	Mining and smelting	Petroleum	Manufacturing	Other industries
	(1)	(2)	(3)	(4)	(5)
1957	1,593	163	584	561	285
1958	1,311	172	510	404	225
1959	1,179	240	380	389	170
1960	1,259	290	360	384	225
1961	1,016	165	315	385	151
1962	1,163	245	300	458	160
1963	1,279	195	375	535	174
1964	1,559	220	385	769	185
1965	1,847	212	503	944	188
1966	2,482	312	662	1,178	329
1967	2,292	316	609	1,060	307
1968	2,183	360	622	857	344
1969	2,508	421	564	1,111	412
1970	2,903	464	663	1,258	518
1971	3,215	827	698	1,153	537
1972	3,596	719	804	1,452	622

Source: 1957 to 1964 "Foreign Investments 1964-1965", Survey of Current Business, Sep. 1965, U.S. Dept. of Commerce, Office of Business Economics, Washington, D.C., Table 9, page 28.

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TABLE CD-US201A

PERCENTAGE DISTRIBUTION OF EXPENDITURES ON PLANT AND EQUIPMENT BY  
CANADIAN AFFILIATES OF U.S. FIRMS, BY INDUSTRY GROUP, 1957-1972.

(per cent)

Year	Total	Mining and smelting	Petroleum	Manufacturing	Other industries
	(1)	(2)	(3)	(4)	(5)
1957	100.0	10.2	36.7	35.2	17.9
1958	100.0	13.1	38.9	30.8	17.2
1959	100.0	20.4	32.2	33.0	14.4
1960	100.0	23.0	28.6	30.5	17.9
1961	100.0	16.2	31.0	37.9	14.9
1962	100.0	21.1	25.8	39.4	13.7
1963	100.0	15.2	29.3	41.8	13.6
1964	100.0	14.1	24.7	49.3	11.9
1965	100.0	11.5	27.2	51.1	10.2
1966	100.0	12.6	26.7	47.5	13.3
1967	100.0	13.8	26.6	46.2	13.4
1968	100.0	16.5	28.5	39.3	15.8
1969	100.0	16.8	22.5	44.3	16.4
1970	100.0	16.0	22.8	43.3	17.8
1971	100.0	25.7	21.7	35.9	16.7
1972	100.0	20.0	22.4	40.4	17.3

Source: Derived from table CD-US201.

Foreign Investment Division



TABLE CD-US202

EXPENDITURES ON PLANT AND EQUIPMENT BY CANADIAN MANUFACTURING AFFILIATES  
OF U.S. FIRMS, BY MAJOR MANUFACTURING INDUSTRY, 1957-1972

(millions of U.S. dollars)

Year	Total	Chemicals	Machinery	Transportation equipment	Other manufacturing
	(1)	(2)	(3)	(4)	(5)
1957	561	95	60	56	350
1958	404	96	33	59	216
1959	389	78	37	65	210
1960	384	75	47	63	199
1961	385	55	71	60	199
1962	458	75	88	65	230
1963	535	110	79	94	252
1964	769	177	93	167	332
1965	944	225	114	224	381
1966	1,178	190	209	..	..
1967	1,060	144	245	274	397
1968	857	130	186	198	344
1969	1,111	155	304	229	423
1970	1,258	171	310	302	476
1971	1,153	154	330	164	503
1972	1,452	325	330	213	583

.. not available

Note: From 1957 to 1964 data were given for eight major manufacturing industries, as well as for other industries. Starting with the 1965 survey, data were given for three major industries. Four of the original industries were incorporated into "other industries". Two more - machinery excluding electrical, and electrical machinery - were merged into machinery.

Source: 1957 to 1958 "Capital Outlays Abroad by U.S. Companies: Rising Plant Expansion in Manufacturing," Survey of Current Business, Oct. 1960, U.S. Dept. of Commerce, Office of Business Economics, Washington, D.C., Table 1, page 21.

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1965 to 1966 "Plant and Equipment Expenditures by Foreign Affiliates of U.S. Corporations 1969-1971", Survey of Current Business, Sep. 1970, U.S. Dept. of Commerce, Office of Business Economics, Washington, D.C., Table 2, page 23.

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TABLE CD-US202A

PERCENTAGE DISTRIBUTION OF EXPENDITURES ON PLANT AND EQUIPMENT BY CANADIAN  
MANUFACTURING AFFILIATES OF U.S. FIRMS, BY MAJOR MANUFACTURING INDUSTRY  
1957-1972

(per cent)

Year	Total	Chemicals	Machinery	Transportation equipment	Other manufacturing
	(1)	(2)	(3)	(4)	(5)
1957	100.0	16.9	10.7	10.0	62.4
1958	100.0	23.8	8.2	14.6	53.4
1959	100.0	20.1	9.5	16.7	54.0
1960	100.0	19.5	12.2	16.4	51.9
1961	100.0	14.3	18.4	15.6	51.7
1962	100.0	16.4	19.2	14.2	50.2
1963	100.0	20.6	14.8	17.6	47.1
1964	100.0	23.0	12.1	21.7	43.2
1965	100.0	23.8	12.1	23.7	40.4
1966	100.0	16.1	17.7	..	..
1967	100.0	13.6	23.1	25.8	37.5
1968	100.0	15.2	21.7	23.1	40.1
1969	100.0	14.0	27.3	20.6	38.1
1970	100.0	13.6	24.6	24.0	37.8
1971	100.0	13.4	28.6	14.2	43.6
1972	100.0	22.4	22.7	14.7	40.2

.. Not available

Source: Derived from table CD-US202.



## ANNEX B

CONVERSION OF U.S. DOLLARS INTO CANADIAN DOLLARS

The following rates of exchange were used when converting U.S. dollars into Canadian dollars in Chapter IX.

TABLE B-1

EXCHANGE RATE FOR THE U.S. DOLLAR IN CANADA, 1957-1972

(Values in Canadian dollars)

Year	Annual average of noon spot rates
1957	95.88
1958	97.06
1959	95.90
1960	96.97
1961	101.32
1962	106.89
1963	107.85
1964	107.86
1965	107.80
1966	107.73
1967	107.87
1968	107.75
1969	107.68
1970	104.40
1971	100.98
1972	99.05

Sources: 1957-1961: Bank of Canada Statistical Summary 1966 Supplement, page 145.

1962-1972: Bank of Canada Review, October 1973, page S109.



## ANNEX C

SOURCES AND USES OF FUNDS OF CANADIAN AFFILIATES OF U.S. FIRMS  
AS REPORTED BY U.S. SOURCES, SELECTED YEARS FROM 1957 TO 1968.

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